

NOV 11 1993

License No. 20-03527-01
Docket No. 030-04631
Control No. 113367

AT&T Network Systems
Western Electric Products
ATTN: Ralph V. Collipi, Jr., CIH
Radiation Safety Officer
1600 Osgood Street
North Andover, Massachusetts 01845

Dear Mr. Collipi:

Subject: Financial Assurance for Decommissioning

This is in reference to your submittals dated August 31, 1992 and November 28, 1990, to provide financial assurance for License No. 20-03527-01. We have reviewed these documents and have no further questions at this time. Please note that an updated decommissioning funding plan must be submitted along with any application for license renewal on or before June 30, 1994.

If you have any questions, please contact Anthony Dimitriadis of my staff at (215) 337-6953.

Your cooperation with us is appreciated.

Sincerely,

Original Signed By:
Mohamed M. Shanbaky

Mohamed M. Shanbaky, Chief
Research and Development Section
Division of Radiation Safety
and Safeguards

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PDR ADOCK 03004631
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bcc:

M. Shanbaky, RI

A. Dimitriadis, RI

DRSS:RI
Dimitriadis/gc

11/7/93

DRSS:RI
Shanbaky

ms
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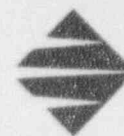
MEMO TO: Louis M. Bykoski, NMSS
FROM: OGC
RE: REVIEW OF NONSTANDARD SUBMITTALS

20-03527-01

AT&T Network Systems: No legal objection to ICF Recommendations (1)-(8). In addition, under ICF's heading "Other Issues," regional staff should check the original standby trust agreement for the omitted sentence discussed in subsection (c), and under subsection (d) request that the licensee submit Schedule A.

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ICF INCORPORATED

June 25, 1993

To: Dr. Lou Bykoski, NMSS/NRC

From: Martin Marchaterre and John Collier, ICF Incorporated

Subject: Review of Decommissioning Funding Plan and Amended Letter of Credit Submitted by AT&T Network Systems

AT&T Network Systems in North Andover, Massachusetts, submitted an amended letter of credit and a standby trust agreement in the amount of \$10,000 to assure estimated decommissioning costs of \$10,000 for license 20-03527-01 issued under 10 CFR Part 30.¹ The submission amends the licensee's previous submission which included a letter of credit and a decommissioning cost estimate.² Upon review of the entire submission, as amended, ICF recommends that NRC Region I require the licensee to modify the submission in the following ways:

- (1) Submit additional detail to support the cost estimate (*Regulatory Guide 3.66, Appendix F*);
- (2) Revise the letter of credit's non-renewal notification provisions to require notification by certified mail (*Regulatory Guide 3.66, Page 4-33*);
- (3) Revise the letter of credit notification requirements (*Regulatory Guide 3.66, page 4-33*);
- (4) Revise Section 2 of the standby trust agreement to reference all licenses covered by the agreement (*Regulatory Guide 3.66 page 4-18*);

¹ The standby trust agreement also covers several other licenses held by AT&T (see Recommendation 4). Because the submission does not reference the other licenses anywhere else, however, ICF assumes the submission is not intended to demonstrate financial assurance for the other licenses.

² ICF reviewed the licensee's previous submission and reported several recommendations to NRC in a memorandum dated May 31, 1991.

- (5) Revise Section 5 of the standby trust agreement so that the licensee cannot withdraw more than 10 percent of the outstanding balance applicable to a particular license without written NRC approval (NMSS letter addressing withdrawal limits, August 7, 1990);
- (6) Submit a letter of acknowledgement with the standby trust agreement (*Regulatory Guide 3.66*, page 4-27);
- (7) Submit a specimen certificate of events and specimen certificate of resolution with the standby trust agreement (*Regulatory Guide 3.66*, pages 4-24 and 4-25); and
- (8) Submit evidence indicating that the party signing the standby trust agreement for the licensee is authorized to represent the company (*Regulatory Guide 3.66*, page 3-14).

These recommendations and other issues are discussed below.

- (1) Submit Additional Detail to Support the Cost Estimate (*Regulatory Guide 3.66*, Appendix F)

The licensee's submission includes the same decommissioning cost estimate, dated November 28, 1990, that was included in the licensee's previous submission. Except for very brief references to the licensee's Tracerflo Machine (Krypton 85 gas), this cost estimate provides no description of the licensee's facilities or of the effort required to decommission the facilities. Therefore, it is not clear whether the licensee included reasonable cost estimates for all major decommissioning activities in its overall decommissioning cost estimate. ICF recommends that the NRC require the licensee to use or adapt the "Cost Estimating Tables" in Appendix F of the *Regulatory Guide 3.66* "Standard Format and Content of Financial Assurance Mechanisms Required for Decommissioning Under 10 CFR Parts 30, 40, 70, and 72," June 1990, to demonstrate that it has provided reasonable cost estimates for all major decommissioning activities.

The licensee should provide information on the size of its facility and the possible extent of decontamination activities required. Estimates of labor costs should include the cost of venting remaining krypton as well as packaging oil and soft components for disposal. The cost estimate should include all transportation costs for both the Tracerflo unit and sealed sources. Also, labor costs for a final radiation survey should be included, if needed. Alternatively, the licensee should justify not including costs for a final radiation survey.

In addition, the licensee should also incorporate a contingency factor of 25 percent into its estimate,³ and should clarify that it has not included in its cost estimate credit for any salvage value that may be realized from the sale of potential assets after decommissioning (see page 1-10 of the *Regulatory Guide 3.66*). Finally, as required under 10 CFR 30.35(e), the licensee should describe the means it will use to adjust its decommissioning cost estimate and associated funding level over the life of the facility. Adjustments should be made to account for inflation, for other changes in prices of specific goods and services, for changes in facility conditions, and for changes in expected decommissioning procedures.

- (2) Revise the Letter of Credit's Non-Renewal Notification Provisions to Require Notification by Certified Mail (*Regulatory Guide 3.66*, Page 4-33)

The amended letter of credit is worded as recommended in *Regulatory Guide 3.66*, pages 4-33 and 4-34, except that it does not include the underlined portion of the following sentence addressing non-renewal notification provisions:

This letter of credit is effective immediately and shall expire on December 31, 1991, but such expiration date shall be automatically extended for a period of one year on December 31, 1991, and on each successive expiration date, unless, at least 90 days before the current expiration date, we notify both you and AT&T by certified mail, as shown on the signed return receipts.

In the event that the bank elects not to renew the letter of credit, it is essential for NRC to receive timely notification so that it can, if necessary, draw on the letter of credit prior to the letter of credit's expiration. Notification by certified mail helps ensure that NRC will have adequate time to address the situation prior to termination of the letter of credit.

Without the language underlined above, the text of the letter of credit diminishes the protections provided to NRC for two reasons. First, it does not specify that the 90 day notification period begins only once the addressee at NRC has received the notification. Second, use of a mail service other than certified mail or registered mail (e.g., an unspecified overnight courier) may result in types of return receipts that are not acceptable to NRC to demonstrate receipt of this notification (e.g., if the receipt is signed by the courier rather than the addressee). Consequently, the submitted letter of

³ Use of a contingency factor of 25 percent is consistent with the cost estimates for each of six reference laboratories included in NUREG/CR-1754, Addendum 1, Technology, Safety and Costs of Decommissioning Reference Non-Fuel-Cycle Nuclear Facilities: Compendium of Current Information, Pacific Northwest Laboratory, October 1989.

credit provides less certainty that NRC will receive adequate notice of non-renewal than if the omitted phrase ("by certified mail, as shown on the signed return receipts") had been included. ICF recommends that NRC require the licensee to revise the letter of credit to include the phrase "by certified mail, as shown on the signed return receipts," as recommended in *Regulatory Guide 3.66*.

- (3) Revise the Letter of Credit Notification Requirements (*Regulatory Guide 3.66*, page 4-33)

The licensee's original letter of credit omitted the final sentence, underlined below, from the notification requirements recommended in *Regulatory Guide 3.66*, page 4-33:

... The bank shall give immediate notice to the applicant and the U.S. Nuclear Regulatory commission of any notice received or action filed alleging (1) the insolvency or bankruptcy of the financial institution or (2) any violations of regulatory requirements that could result in suspension or revocation of the bank's charter or license to do business. The financial institution also shall give immediate notice if the bank, for any reason, becomes unable to fulfill its obligation under the letter of credit.

To correct this omission from the original letter of credit, the amendment to the letter of credit "add[s] to Paragraph 4" a similar sentence:

The issuing bank also shall give immediate notice if they for any reason, become unable to fulfill their obligation under the letter of credit (emphasis added).

It is not clear from this sentence whether the terms "they" and "their" refer to the bank, as would be appropriate, or to "the applicant and NRC," as could be the case given the reference to them in the preceding sentence. To ensure that the added sentence effectively requires the bank to notify NRC and the licensee of situations involving the bank where the effectiveness of the letter of credit may be jeopardized (such as in the case of a merger involving the issuing bank), ICF recommends that NRC require the licensee to revise the letter of credit to clarify this reference by substituting the words "the bank" and "its" for "they" and "their." In addition, because it is unclear which paragraph the amendment is referring to as "Paragraph 4," ICF also recommends that any amendment to the letter of credit re-state altered paragraphs rather than referring to them by number.

- (4) Revise Section 2 of the Standby Trust Agreement to Reference All Licenses Covered by the Agreement (*Regulatory Guide 3.66* page 4-18)

The submitted standby trust agreement applies to several licenses (see also Recommendation 5). As submitted, Section 2 of the licensee's standby trust agreement states that

This Agreement also pertains to the costs of decommissioning the materials and activities identified in [licenses] 29-00170-03, 29-00170-04, 29-28260-01, SMB-1260, [and] SNM-203 . . . as shown in Schedule A.

Thus, the standby trust agreement does not directly reference the license (license 20-03527-01) for which the licensee has prepared the submission, although the licensee does appear to have appropriately amended Schedule A to address this license (see Other Issue d). To ensure that the standby trust agreement effectively addresses all licenses covered by the agreement, ICF recommends that NRC require the licensee to revise Section 2 as necessary to directly reference all licenses covered, including license 20-03527-01.

- (5) **Revise Section 5 of the Standby Trust Agreement so that the Licensee Cannot Withdraw More than 10 Percent of the Outstanding Balance Applicable to a Particular License Without Written NRC Approval (NMSS letter addressing withdrawal limits, August 7, 1990)**

The trust agreement submitted does not include the following provision in Section 5: "No withdrawal from the fund can exceed ___ percent of the outstanding balance of the Fund or ___ dollars, whichever is greater, unless NRC approval is attached." NRC guidance specifies that the appropriate level to complete the blanks is 10 percent, meaning that no more than 10 percent of the outstanding balance of the trust may be withdrawn at a time without written approval from NRC.⁴ ICF recommends that Section 5 of the submitted standby trust agreement be revised to add this provision. This change will provide NRC greater opportunity to monitor the licensee's decommissioning.

In addition, Section 2 of the standby trust agreement indicates that it applies to four licenses in addition to license 20-03527-01. NRC regulations allow standby trusts to provide assurance for more than one license as an economizing measure. However, use of a single standby trust creates a potential problem with regard to the recommended 10 percent limitation on individual withdrawals. Because 10 percent of all funds in the trust can exceed 10 percent of the funds assuring any one license, a withdrawal of more funds than NRC intended could occur without NRC approval. Therefore, ICF also recommends that NRC require the withdrawal limitation to be stated in terms of 10 percent of the balance of funds applicable to the particular license.

⁴ "Response to Questions Related to the Trust Fund Mechanism," from Timothy Johnson, NMSS/NRC to Karen Davis, St. Louis University, August 7, 1990. Although this guidance applies to a stand-alone trust fund, we assume NRC would give the same response to the same question regarding a standby trust fund.

- (6) Submit a Letter of Acknowledgement with the Standby Trust Agreement (*Regulatory Guide 3.66*, page 4-27)

The submission does not include a letter of acknowledgement with the standby trust agreement, as recommended by *Regulatory Guide 3.66*, page 4-27. The acknowledgement is needed to verify the execution of the standby trust agreement and to certify the trustee's signature and authority to enter into the agreement. ICF recommends that NRC require the licensee to submit a letter of acknowledgement with the standby trust agreement.

- (7) Submit a Specimen Certificate of Events and Specimen Certificate of Resolution with the Standby Trust Agreement (*Regulatory Guide 3.66*, pages 4-24 and 4-25)

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 that is to be attached to the trust agreement. The specimen certificate of events, in turn, is to refer to an attached certificate of resolution. Without the specimen certificates, NRC cannot be certain 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. NRC should require the specimen certificates (which should contain blank spaces for dates and signatures until decommissioning activities have commenced) to be worded similarly to the specimen certificates on page 4-24 and page 4-25 of *Regulatory Guide 3.66*.

- (8) Submit Evidence Indicating that the Party Signing the Standby Trust Agreement for the Licensee is Authorized to Represent the Company (*Regulatory Guide 3.66*, page 3-14)

The submission does not provide any evidence indicating that the party signing the mechanism is authorized to enter into a standby trust agreement for the licensee, as recommended in *Regulatory Guide 3.66*, on page 3-14. Evidence of authority to represent the licensee is necessary to ensure the validity and enforceability of the mechanism. Therefore, ICF recommends that NRC require the licensee to submit a copy of the corporate by-laws or other evidence indicating that the party signing the standby trust agreement is authorized to do so.

Other Issues

Apart from editorial and non-substantive changes to the standard wording provided in *Regulatory Guide 3.66*, the following modifications are noteworthy:

- (a) The standby trust agreement does not identify the full address of the trustee in paragraph 1, as is recommended in *Regulatory Guide 3.66*. This information is provided, however, in the amendment to Schedule A of the agreement.

- (b) The standby trust agreement does not reference or include a Schedule C stating the trustee's compensation for serving as trustee. The agreement, however, states in Section 12 that "The Trustee shall be entitled to \$750 annual compensation for its services in accordance with this Agreement to be billed separately."
- (c) It appears that a photocopy error may have eliminated a phrase from Section 13 of the copy of the standby trust agreement reviewed by ICF. The phrase in question, underlined below, would have been the last line on its page:

The successor Trustee shall have the same powers and duties as conferred upon the Trustee hereunder.

NRC may wish to confirm that the phrase is actually in the agreement, and if it is not in the agreement, to have the licensee add the missing phrase.

- (d) The submission does not include Schedule A to the standby trust agreement. Instead, the submission includes an amendment to the agreement that adds the necessary information regarding license 20-03527-01 to the current Schedule A (which was not submitted). The amendment includes all information required for Schedule A for license 20-03527-01. Section 2 of the standby trust agreement, however, notes that the agreement also pertains to the decommissioning costs of licenses 29-00170-03, 29-00170-04, 29-28260-01, SMB-1260, and SNM-203 "as shown in Schedule A." Because a copy of Schedule A was not included in the submission, ICF has not evaluated whether Schedule A, prior to its amendment, contained all necessary information relevant to these other licenses.

Finally, the Region should ensure that documents submitted by the licensee are originally signed duplicates, as recommended in *Regulatory Guide 3.66*. Unless the documents have been properly signed, NRC cannot be certain that the financial assurance mechanism is enforceable. Because ICF does not possess the original submissions, we cannot verify compliance with these requirements.

attachments

REVIEW OF DECOMMISSIONING FUNDING PLAN (DFP)

Name of company or institution:

AT&T Network Systems

Number of licenses and applicable regulations:

<u>1</u>	10 CFR Part 30
<u> </u>	10 CFR Part 40
<u> </u>	10 CFR Part 70
<u> </u>	10 CFR Part 72

Isotopes handled and possession limits (specify units):

Sealed sources {	<u>⁸⁵Kr</u>	<u>2000:</u>
	<u>⁸⁵Kr</u>	<u> </u>
	<u>¹⁴⁷Pm</u>	<u> </u>
	<u>²⁰⁴Tl</u>	<u> </u>
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

Total cost estimate for licenses listed above:

\$ less than \$10,000.00

General comments on DFP:

CHECKLIST FOR REVIEWING DECOMMISSIONING FUNDING PLANS (DFF'S)

QUESTIONS

COMMENTS

<p>(1) Does the licensee provide supporting documentation for its cost estimates?</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>	
<p>(2) Does the licensee use the Appendix F "Cost Estimating Tables?"</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>	
<p>(3) Does the cost estimate include the following major cost elements?</p>	<p>The licensee does not provide a breakdown of the cost components included in the estimate, or a specific dollar figure for the cost of decommissioning.</p>
<p>(i) Planning and Preparation?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>	
<p>(ii) Decontamination and/or Dismantling of Radioactive Facility Components?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>	
<p>(iii) Packaging, Shipping, and Disposal of Radioactive Wastes?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>	
<p>(iv) Restoration of Contaminated Areas on Facility Grounds?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA</p>	
<p>(v) Final Radiation Survey?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>	
<p>(vi) Site Stabilization, Long-Term Surveillance?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA</p>	

CHECKLIST FOR REVIEWING DFP's (continued)

QUESTIONS

COMMENTS

<p>(4) Is the total cost estimate reasonable for the type(s) and size(s) of facility licensed?</p> <p> <input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Not Sure </p>	<p>Information should be provided on the size of the facility and extent of decontamination required. Labor costs should be included for venting remaining Krypton, and for packaging oil and soft components for disposal. All transportation costs and disposal costs for both the Tracerflo unit and sealed sources should be included. Labor costs for a final radiation survey should be included (if necessary).</p>
<p>(5) Are the cost estimates for individual facility activities and/or components reasonable?</p> <p> <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Sure </p>	<p>No individual activities or components mentioned.</p>

CHECKLIST FOR REVIEWING DFP's (continued)

QUESTIONS

COMMENTS

<p>(6) Do the computations seem correct?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>	<p><i>No computations.</i></p>
<p>(7) Does the licensee take credit for the potential salvage value of recovered materials or decontaminated equipment?</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>	<p><i>Licensee does not mention salvage value.</i></p>
<p>(8) Does the licensee include a contingency factor in the cost estimate?</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>	<p><i>Licensee does not mention a contingency factor.</i></p>
<p>(9) Does the licensee provide a description of the methods that will be used to adjust the decommissioning cost estimate periodically over the life of the facility?</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>	

APPENDIX C

CHECKLIST FOR SUBMISSION OF SURETY/INSURANCE/PARENT COMPANY GUARANTEE

A. Check Appropriate Form of Surety/Insurance/Guarantee

- Surety Bond
- Letter of Credit
- Line of Credit
- Parent Company Guarantee/Financial Test*
- Insurance

B. Check Documents Submitted for Surety/Insurance/Guarantee

1. Surety Bond
 - Surety Bond
 - Standby Trust Agreement
 - Acknowledgement

original
 issue date: 11/27/90
 effective date: 11/27/90
 expiration date: 12/31/91

Amended
 issue date: 8/19/92
 effective date:
 expiration date:
2. Letter of Credit
 - Letter of Credit
 - Standby Trust Agreement
 - Acknowledgement
3. Line of Credit
 - Verification
 - Standby Trust Agreement
 - Acknowledgement
4. Parent Company Guarantee
 - Letter from Chief Executive Officer of Applicant or Licensee
 - Letter from Chief Financial Officer of Parent Company
 - Financial Test: Alternative [I or II]
 - Auditor's Special Report and Attached Schedule
 - Corporate Guarantee
 - Standby Trust Agreement
 - Acknowledgement
5. Insurance
 - Certificate of Insurance
 - Standby Trust Agreement
 - Acknowledgement

May not be used in combination with any other instrument.

APPENDIX A
CHECKLIST FOR DECOMMISSIONING FINANCIAL ASSURANCE

NAME OF LICENSEE OR APPLICANT

AT&T Network Systems

MAILING ADDRESS

1600 Osgood St., Department 209100

N. Andover, MA 01845

A. Licensee Part (check one of the following):

- Part 30 Licensee or Applicant Part 70 Licensee or Applicant
 Part 40 Licensee or Applicant Part 72 Licensee or Applicant

B. Check appropriate item in each category (if applicable)

1. 1/92 Date of Financial Assurance Submission
2. Public Entity
 Private Entity
3. Certification of Financial Assurance
 Decommissioning Funding Plan \$10,000.00
4. (a) Prepayment Option (See Appendix B)
 Trust Fund
 Escrow Account
 Certificate of Deposit
 Government Fund
 Deposit of Government Securities
(b) Surety/Insurance/Other Guarantee (See Appendix C)
 Surety bond
 Letter of Credit
 Line of Credit
 Parent Company Guarantee/Financial Test^{*}
(c) External Sinking Fund, Sinking Account and Surety/Insurance (See Appendix D)
 Trust Fund
 Escrow Account
 Certificate of Deposit
 Government Fund
 Deposit of Government Securities
 Surety Bond
 Letter of Credit
 Line of Credit
(d) Statement of Intent (public entities only)

*May not be used in combination with any other instrument.

EXHIBIT 3-7

CHECKLIST OF CRITERIA FOR REVIEW OF LETTERS OF CREDIT

- N/A • Copy of corporate by-laws or other evidence indicating that parties signing the financial instrument (for the applicant) are authorized to represent the organization in the transaction.
- VRC Region
Should verify • Evidence that the financial instrument is an originally signed duplicate (e.g., an executed copy of the instrument).
- ✓ • Evidence that the financial institution is regulated by Federal or State agency (e.g., member of FDIC, Federal Reserve System, etc.).
Citibank, N.A.
- ✓ • The instrument must be entitled a letter of credit.
- ✓ • The letter should be limited in amount.
- ✓ • The letter of credit must contain a specified expiration date or be written for a definite term. *auto. extension*
- ✓ • The issuer's obligation to pay the beneficiary should arise only upon presentation of a draft or other documents specified in the letter of credit.
- ✓ • The bank must not be called upon to determine a question of fact or law at issue between the licensee and the Commission or State regulatory agency.
- ✓ • The licensee should have an unqualified obligation to reimburse the issuer for payments made under the letter of credit.

EXHIBIT 3-5

CHECKLIST OF CRITERIA FOR REVIEW OF TRUST AGREEMENTS^a

- Copy of corporate by-laws or other evidence indicating that parties signing the financial instrument (for the applicant) are authorized to represent the organization in the transaction. *Not included*
- Evidence that the financial instrument is an originally signed duplicate (e.g., an executed copy of the instrument). *For Region to verify.*
- Evidence that the financial institution has authority to act as a trustee. *not included.*
- Purpose of trust ("whereas"-clauses). *Standard wording*
 1. Description
- Grantor or grantors (introductory paragraph).
 1. Names
 2. Addresses *Address does not include P.O. Box or street address and the zip code.*
- Trustee or trustees.
 1. Names and addresses *address not included.*
 2. Bank or corporate trustee (introductory paragraph) *United Jersey Bank*
- Identification of facilities and cost estimates (Section 2).^b - *Identifies License #'s but does not include cost estimates.*

^aAdapted from 17A Am Jur Legal Forms 2d (Rev) §251.94.

^bReferences are to recommended wording for trust agreements provided in Section 4.

EXHIBIT 3-5 (continued)

- Words of transfer, conveyance, and delivery in trust (Section 3). ✓ standard wording
- Payments constituting the trust fund (Section 4). ✓ standard wording
- Duration of trust. ✓
- Description of trust property. - Standby - Letter of Credit the primary mechanism.
 1. Property described in attached schedule (Schedule B)
 2. Cash "Cash, securities, or other liquid assets."
 3. Stock and other securities
- Additions to trust. - Not included.
- Distribution of trust principal (Section 5). - Section restricting amount of withdrawals missing.
 1. Disbursement to licensee upon proper certification ✓ standard wording
 2. Payment for activities at NRC's direction in writing ✓ standard wording
 3. Refund to grantor at NRC's specification in writing after completion of decommissioning activities ✓ standard wording
- Trust management (Sections 6-8).
 1. Discretionary powers ✓ standard wording
 2. Fiduciary duty ✓ standard wording
 3. Commingling and investment ✓ standard wording
 4. Sale or exchange of trust property ✓ missing section on withdrawals upon request or reinvestment at direction of grantor.
 5. Scope of investments - Missing section authorizing investments in federal, state or municipal bonds and certificates.
 6. Express powers of trustee ✓
 7. Borrowing money and encumbering trust assets ✓
- (Optional provisions)

EXHIBIT 3-5 (continued)

- 8. Insurance
- 9. Operation of business
- 10. Compromise of claims
- Taxes and expenses (Section 9). ✓ standard wording
- Annual valuation (Section 10). ✓ standard wording
- Advice of counsel (Section 11). ✓ standard wording
- Authority, compensation, and tenure of trustees (Sections 12-14).
 - 1. Trustee compensation - Specified as \$ 750 annually.
 - 2. Successor trustee - missing "Trustee shall have the same powers and duties as"
 - 3. Instructions to trustee ✓
- section inserted - see Standby Trust
- Amendment of agreement (Section 15). ✓ standard wording
- Irrevocability and termination (Section 16). ✓ standard wording
- Immunity and indemnification (Section 17). ✓ standard wording
- Law to govern construction and operation of trust (Section 18). ✓ standard wording
- Interpretation and severability (Section 19). ✓ standard wording
- Date (signature block). Not included.
- Signatures (signature block). ✓
- Acknowledgements, seals or attestations, if necessary or desired (witness by notary public). Not included.
- Acceptance of trust by trustee or trustees (acknowledgment).
 - signature of corporate trust officer
 - Separate acknowledgement not included.

DATE 9/6/92
TIME 9:40 A.M.
 P.M.

TELEPHONE OR VERBAL CONVERSATION RECORD

INCOMING CALL

OUTGOING CALL

VISIT

PERSON CALLING

Er. H. Reber

OFFICE/ADDRESS

PHONE NUMBER | EXTENSION

(215) 337-5276

PERSON CALLED

Billie Ralph Collipi

OFFICE/ADDRESS

AT FT

PHONE NUMBER | EXTENSION

(508) 960-2047

CONVERSATION

SUBJECT

Fin. Inst deficiencies 20-035-27-01

SUMMARY

This refers to your submittal dated 11/28/90

The submitted letter of credit omits the following language, recommended in Paragraph 3 on page 4-33 of Regulatory Guide 3.66, from the end of Paragraph 2 of the letter of credit:

"The financial institution also shall give immediate notice if the bank, for any reason, becomes unable to fulfill its obligation under the letter of credit."

1 This language helps ensure that both NRC and the licensee are given adequate warning of events that may jeopardize the financial assurance. Please modify your letter of credit to include this language.

2 Under 10 CFR 30.35(f)(2)(ii), a surety method of assurance, such as a letter of credit, "must be payable to a trust established for decommissioning costs." The letter of credit submitted by you is payable to NRC, rather than to a standby trust fund. If funds were paid directly to the NRC, rather than to a standby trust fund, the NRC would be required to deposit the funds with the U.S. Treasury and would be unable to use them to pay for decommissioning costs. Thus, you are required to submit a revised letter of credit that is payable to a standby trust fund for decommissioning.

3 As discussed above, 10 CFR 30.35(f)(2)(ii) requires use of a standby trust fund with a letter of credit. In order to ensure that the standby trust fund meets NRC requirements, you are required to submit a standby trust agreement and related documents, as recommended in Regulatory Guide 3.66, pages 4-18 through 4-27.

REFERRED TO:

ADVISE ME OF ACTION TAKEN.

ACTION REQUESTED

file

INITIALS

DATE

ACTION TAKEN

INITIALS

OFFICIAL RECORD COPY ML 10

DATE

113367

MS16

L3



AT&T
Network Systems

R.V. Collipi, Jr., CIH
Industrial Hygiene Engineering
Merrimack Valley Works

1600 Osgood Street
Department 209100
N. Andover, MA 01845
(508) 960-2047

August 31, 1992

U. S. Nuclear Regulatory Commission
Region I
475 Allendale Rd.
King of Prussia, PA 19406
Attn: Eric H. Reber
Mail Control No. 109770
License No. 20-03527-01
Docket No. 030-04631

Re: Amended Letter of Credit and Standby Trust Agreement

This letter is in response to your request to amend the letter of credit and establish a standby trust agreement for decommissioning requirements pertaining to US NRC License No. 20-03527-01 issued to AT&T Merrimack Valley Works.

Attached, please find;

1. An amendment to Irrevocable Letter of Credit No. NY-0882-30007922 from Citibank, N.A.
2. A copy of the Standby Trust Agreement #8510753-009 between AT&T Bell Laboratories, Murray Hill, NJ (Grantor) and United Jersey Bank (Trustee).
3. An amendment of the Standy Trust Agreement to include AT&T Merrimack Valley Works.

If any additional information is needed, please contact the undersigned Mondays through Fridays between the hours of 7:30 am and 4:15 pm at 508/960-2047.

A handwritten signature in cursive script that reads "Ralph V. Collipi, Jr.".

Ralph V. Collipi, Jr., CIH
Radiation Safety Officer

OFFICIAL RECORD COPY ML 10

113367

SEP 04 1992

Citibank, N.A.

NORTH AMERICAN FINANCE GROUP - TRADE FINANCIAL SERVICES
SUITE # 5372
111 WALL STREET NEW YORK, NY, 10043

1

AUGUST 19, 1992

U.S. NUCLEAR
REGULATORY COMMISSION
WASHINGTON, DC 20555

REF: IRREVOCABLE LETTER OF CREDIT NO. NY-0882-30007922

GENTLEMEN:

AT THE REQUEST OF: AT&T NETWORK SYSTEMS, A DIVISION OF AMERICAN TELEPHONE AND TELEGRAPH COMPANY 1300 MT. KEBBLE AVENUE, BASKING RIDGE, NJ 07920 WE AMEND OUR REFERENCED LETTER OF CREDIT AS FOLLOWS:

ADD TO PARAGRAPH 4: THE ISSUING BANK ALSO SHALL GIVE IMMEDIATE NOTICE IF THEY FOR ANY REASON, BECOME UNABLE TO FULFILL THEIR OBLIGATION UNDER THE LETTER OF CREDIT.

PARAGRAPH 5 NOW TO READ: WHENEVER THIS LETTER OF CREDIT IS DRAWN ON UNDER AND IN COMPLIANCE WITH THE TERMS OF THIS LETTER OF CREDIT, WE SHALL DULY HONOR SUCH DRAFT UPON ITS PRESENTATION TO US WITHIN 30 DAYS, AND WE SHALL DEPOSIT THE AMOUNT OF THE DRAFT DIRECTLY INTO A STANDBY TRUST FUND OF AMERICAN TELEPHONE AND TELEGRAPH COMPANY, TRUST ACCOUNT NO. 8510753-009, UNITED JERSEY BANK, HACKENSACK, NJ, IN ACCORDANCE WITH YOUR INSTRUCTIONS.

THIS AMENDMENT IS AN INTEGRAL PART OF THE ORIGINAL CREDIT. ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.

IMMEDIATE NOTIFICATION MUST BE GIVEN TO US IF THIS AMENDMENT IS NOT ACCEPTABLE TO YOU.

EXCEPT AS FAR AS OTHERWISE EXPRESSLY STATED HEREIN, THIS LETTER OF CREDIT IS SUBJECT TO THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS (1983 REVISION) INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION NO. 400

CITIBANK N.A.

AUTHORIZED SIGNATURE.

MICHAEL HIGGINS, S.O.
North American Trade Services
111 Wall St., 716th Fl., Zn. 9
(212) 657-9516



One Oak Way
Berkeley Heights, NJ 07922-2727
908 771-2000

August 19, 1992

Mr. Jeff Martin
Assistant Vice President
United Jersey Bank;
Trust Division
210 Main Street, 6th Floor
Hackensack, New Jersey 07601

Dear Jeff,

This is in connection with our Trust Agreement #8510753-009 maintained with your bank.

The Trust Agreement Schedules should be amended to include the U.S. Nuclear Regulatory Commission License Number 20-03527-01 as follows:

Schedule A

The name and address of the Licensee is:

AT&T Network Systems,
Western Electric Products
1600 Osgood Street
North Andover, MA 01845

The address of licensed activity is:

1600 Osgood Street
North Andover, MA 01845

Cost Estimates for Regulatory Assurance Demonstrated by this Agreement:

\$10,000.00

The cost estimates listed here were last adjusted and approved by the NRC.

November 27th 1990.

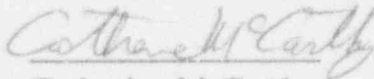
Schedule B

Letter of Credit #30007922
In the amount of \$10,000.00
Opened with Citibank, New York, NY

Please acknowledge your acceptance of this by signing below and
returning a copy to me at One Oak Way, Berkeley Heights, New Jersey
07922 Room 4WD136.

Very truly yours,

Bank Acceptance


Catherine McCarthy
Treasury Manager
Banking Relations


JEFFREY W. MARTIN
Assistant Vice President
Assistant Secretary

STANDBY TRUST AGREEMENT

TRUST AGREEMENT, the Agreement entered into as of 07/26/90 by and between AT&T Bell Laboratories, a Division of American Telephone & Telegraph Company, Murray Hill, N.J., a New York corporation, herein referred to as the "Grantor", and United Jersey Bank, the "Trustee".

WHEREAS, the U.S. Nuclear Regulatory Commission (NRC), an agency of the U.S. Government, pursuant to the Atomic Energy Act of 1954, as amended, and the Energy Reorganization Act of 1974, has promulgated regulations in Title 10, Chapter I of the Code of Federal Regulations, Part 30, 40, 70, or 72. These regulations, applicable to the Grantor, require that a holder of, or an applicant for, a Part 30, 40, 70, or 72 license provide assurance that funds will be available when needed for required decommissioning activities.

WHEREAS, the Grantor has elected to use a letter of credit to provide all of such financial assurance for the facilities identified herein; and

WHEREAS, when payment is made under a letter of credit, this standby trust shall be used for the receipt of such payment; and

WHEREAS, the Grantor, acting through its duly authorized officers, has selected the Trustee to be the trustee under this Agreement, and the Trustee is willing to act as trustee,

NOW, THEREFORE, the Grantor and the Trustee agree as follows:

Section 1. Definitions. As used in this Agreement:

- (a) The term "Grantor" means the NRC licensee who enters into this Agreement and any successors or assigns of the Grantor.
- (b) The term "Trustee" means the trustee who enters into this Agreement and any successor Trustee.

Section 2. Costs of Decommissioning. This Agreement pertains to the costs of decommissioning the materials and activities identified in License #'s 29-00170-03, 29-00170-04, 29-28260-01, SMB-1260, SNM-203 issued pursuant to 10 CFR Part 30, 40, 70, or 72 as shown in Schedule A.

Section 3. Establishment of Fund. The Grantor and the Trustee hereby establish a standby trust fund (the Fund) for the benefit of the NRC. The Grantor and the Trustee intend that no third party have access to the Fund except as provided herein.

Section 4. Payments Constituting the Fund. Payments made to the Trustee for the Fund shall consist of cash, securities, or other liquid assets acceptable to the Trustee. The Fund is established initially as consisting of the property, which is acceptable to the Trustee, described in Schedule B attached hereto. Such property and any other property subsequently transferred to the Trustee are referred to as the "Fund", together with all earnings and profits thereon, less any payments or distributions made by the Trustee pursuant to this Agreement. The Fund shall be held by the Trustee, IN TRUST, as hereinafter provided. The Trustee shall not be responsible nor shall it undertake any responsibility for the amount of, or adequacy of the Fund, nor any duty to collect from the Grantor, any payments necessary to discharge any liabilities of the Grantor established by the NRC.

Section 5. Payment for Required Activities Specified in the Plan. The Trustee shall make payments from the Fund to the Grantor upon presentation to the Trustee of the following:

- a. A certificate duly executed by the Secretary of the Depositor attesting to the occurrence of the events, and in the form set forth in the attached Specimen Certificate, and
- b. A certificate attesting to the following conditions:
 - (1) that decommissioning is proceeding pursuant to an NRC approved plan.
 - (2) that the funds withdrawn will be expended for activities undertaken pursuant to that Plan, and
 - (3) that the NRC has been given 30 days prior notice of AT&T's intent to withdraw funds from the escrow fund.

In the event of the Grantor's default or inability to direct decommissioning activities, the Trustee shall make payments from the Fund as the NRC shall direct, in writing, to provide for the payment of the costs of required activities covered by this Agreement. The Trustee shall reimburse the Grantor or other persons as specified by the NRC, or State agency, from the Fund for expenditures for required activities in such amounts as the NRC, or State agency, shall direct in writing. In addition, the Trustee shall refund to the Grantor such amounts as the NRC specifies in writing. Upon refund, such funds shall no longer constitute part of the Fund as defined herein.

Section 6. Trust Management. The Trustee shall invest and reinvest the principal and income of the Fund and keep the Fund invested as a single fund, without distinction between principal and income, in accordance with general investment policies and guidelines which the Grantor may communicate in writing to the Trustee from time to time, subject, however, to the provisions of this section. In investing, reinvesting, exchanging, selling, and managing the Fund, the Trustee shall discharge its duties with respect to the Fund solely in the interest of the beneficiary and with the care, skill, prudence, and diligence under the circumstances then prevailing which persons of prudence, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of a like character and with like aims; except that:

(a) Securities or other obligations of the Grantor, or any other owner or operator of the facilities, or any of their affiliates as defined in the Investment Company Act of 1940, as amended (15 USC 80a-2(a)), shall not be acquired or held, unless they are securities or other obligations of the Federal or a State government;

(b) The Trustee is authorized to invest the fund in time or demand deposits of the Trustee, to the extent insured by an agency of the Federal government; and

(c) For a reasonable time, not to exceed 60 days, the Trustee is authorized to hold uninvested cash, awaiting investment or distribution, without liability for the payment of interest thereon.

Section 7. Commingling and Investment. The Trustee is expressly authorized in its discretion:

(a) To transfer from time to time any or all of the assets of the Fund to any common, commingled, or collective trust fund created by the Trustee in which the Fund is eligible to participate, subject to all of the provisions thereof, to be commingled with the assets of other trusts participating therein; and

(b) To purchase shares in any investment company registered under the Investment Company Act of 1940 (15 USC 80a-1 et. seq.), including one that may be created, managed, underwritten, or to which investment advice is rendered, or the shares of which are sold by the Trustee. The Trustee may vote such shares in its discretion.

Section 8. Express Powers of Trustee. Without in any way limiting the powers and discretion conferred upon the Trustee by any other provisions of this Agreement or by law, the Trustee is expressly authorized and empowered:

(a) To sell, exchange, convey, transfer, or otherwise dispose of any property held by it, by public or private sale, as necessary for prudent management of the Fund;

(b) To make, execute, acknowledge, and deliver any and all documents of transfer and conveyance and any and all other instruments that may be necessary or appropriate to carry out the powers herein granted;

(c) To register any securities held in the Fund in its own name, or in the name of a nominee, and to hold any security in bearer form or in book entry, or to combine certificates representing such securities of the same issue held by the Trustee in other fiduciary capacities, to reinvest interest payments and funds from matured and redeemed instruments, to file proper forms concerning securities held in the Fund in a timely fashion with appropriate government agencies, or to deposit or arrange for the deposit of such securities in a qualified central depository even though, when so deposited, such securities may be merged and held in bulk in the name of the nominee or such depository with other securities deposited therein by another person, or to deposit or arrange for the deposit of any securities issued by the US Government, or any agency or instrumentality thereof, with a Federal Reserve bank, but the books and records of the Trustee shall at all times show that all such securities are part of the Fund;

(d) To deposit any cash in the Fund in interest-bearing accounts maintained or savings certificates issued by the Trustee, in its separate corporate capacity, or in any other banking institution affiliated with the Trustee, to the extent insured by an agency of the Federal government; and

(e) To compromise or otherwise adjust all claims in favor of or against the Fund.

Section 9. Taxes and Expenses. All taxes of any kind that may be assessed or levied against or in respect of the Fund and all brokerage commissions incurred by the Fund shall be paid from the Fund. All other expenses incurred by the Trustee in connection with the administration of this Trust, including fees for legal services rendered to the Trustee, the compensation of the Trustee to the extent not paid directly by the Grantor, and all other proper charges and disbursements of the Trustee shall be paid from the Fund.

Section 10. Annual Valuation. After payment has been made into this standby trust fund, the Trustee shall annually, at least 30 days before the anniversary date of receipt of payment into the standby trust fund, furnish to the Grantor and to the NRC a statement confirming the value of the Trust. Any securities in the Fund shall be valued at market value as of no more than 60 days before the anniversary date of the establishment of the Fund. The failure of the Grantor to object in writing to the Trustee within 90 days after the statement has been furnished to the Grantor and the NRC, or State agency, shall constitute a conclusively binding assent by the Grantor, barring the Grantor from asserting any claim or liability against the Trustee with respect to the matters disclosed in the statement.

Section 11. Advice of Counsel. The Trustee may from time to time consult with counsel with respect to any question arising as to the construction of this Agreement or any action taken hereunder. The Trustee shall be fully protected, to the extent permitted by law, in acting on the advice of counsel.

Section 12. Trustee Compensation. The Trustee shall be entitled to \$ 750 annual compensation for its services in connection with this Agreement to be billed separately.

Section 13. Successor Trustee. Upon 90 days notice to the NRC, the Trustee may resign; upon 90 days notice to NRC and the Trustee, the Grantor may replace the Trustee; but such resignation or replacement shall not be effective until the Grantor has appointed a successor Trustee and this successor accepts the appointment. The successor

conferred upon the Trustee hereunder. Upon the successor Trustee's acceptance of the appointment, the Trustee shall assign, transfer, and pay over to the successor Trustee the funds and properties then constituting the Fund. If for any reason the Grantor cannot or does not act in the event of the resignation of the Trustee, the Trustee may apply to a court of competent jurisdiction for the appointment of a successor Trustee or for instructions. The successor Trustee shall specify the date on which it assumes administration of the trust in a writing sent to the Grantor, the NRC or state agency, and the present Trustee by certified mail 10 days before such change becomes effective. Any expenses incurred by the Trustee as a result of any the acts contemplated by this section shall be paid as provided in Section 9.

Section 14. Instructions to the Trustee. All orders, requests, and instructions by the Grantor to the Trustee shall be in writing, signed by such persons as are signatories to this agreement or such other designees as the Grantor may designate in writing.

The Grantor designates that:

Vince Donnelly, Treasury Manager - AT&T
Jack Sweeney, Associate Treasury Manager - AT&T
1300 Mt. Kemble Avenue
P.O. Box 7000
Basking Ridge, N.J. 07920

are authorized to issue instructions to the Trustee and to receive all relevant information from the Trustee in connection with this Agreement. The Granter may authorize additional designees, in writing, as necessary.

The Trustee shall be fully protected in acting without inquiry in accordance with the Grantor's orders, requests, and instructions. If the NRC or State agency issues orders, requests, or instructions to the Trustee these shall be in writing, signed by the NRC, or state agency, or their designees, and the Trustee shall act and shall be fully protected in acting in accordance with such orders, requests, and instructions. The Trustee shall have the right to assume, in the absence of written notice to the contrary, that no event constituting a change or a termination of the authority of any person to act on behalf of the Grantor, the NRC, or state agency, hereunder has occurred. The Trustee shall have no duty to act in the absence of such orders, requests, and instruction from the Grantor and/or the NRC, or State agency, except as provided for herein.

Section 15. Amendment of Agreement. This Agreement may be amended by an instrument in writing executed by the Grantor, the Trustee and the NRC, or State agency, or by the Trustee and the NRC or State agency, if the Grantor ceases to exist.

Section 16. Irrevocability and Termination. Subject to the right of the parties to amend this Agreement as provided in Section 15, this trust shall be irrevocable and shall continue until terminated at the written agreement of the Grantor, the Trustee, and the NRC or State agency, or by the Trustee and the NRC or State agency, if the Grantor ceases to exist. Upon termination of the trust, all remaining trust property, less final trust administration expenses, shall be delivered to the Grantor or its successor.

Section 17. Immunity and Indemnification. The Trustee shall not incur personal liability of any nature in connection with any act or omission, made in good faith, in the administration of this trust, or in carrying out any directions by the Grantor, the NRC, or State agency, issued in accordance with this Agreement. The Trustee shall be indemnified and saved harmless by the Grantor or from the trust fund, or both, from and against any personal liability to which the Trustee may be subjected by reason of any act or conduct in its official capacity, including all expenses reasonably incurred in its defense in the event the Grantor fails to provide such defense.

Section 18. This Agreement shall be administered, construed, and enforced according to the laws of the State of New Jersey.

Section 19. Interpretation and Severability. As used in this Agreement, words in the singular include the plural and words in the plural include the singular. The descriptive headings for each section of this Agreement shall not affect the interpretation or the legal efficacy of this Agreement. If any part of this Agreement is invalid, it shall not affect the remaining provisions which will remain valid and enforceable.

IN WITNESS THEREOF the parties have caused this Agreement to be executed by the respective officers duly authorized and the incorporate seals to be hereunto affixed and attested as of the date first written above.

ATTEST:

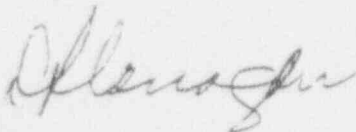
AT&T BELL LABORATORIES
A DIVISION OF AMERICAN
TELEPHONE & TELEGRAPH COMPANY



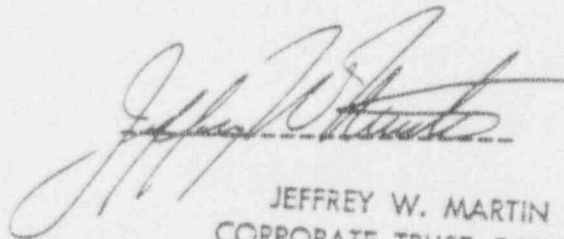
Vieta Durnin
Assistant Treasurer

ATTEST:

UNITED JERSEY BANK



DONNA J. FLANAGAN
ASSISTANT SECRETARY



JEFFREY W. MARTIN
CORPORATE TRUST OFFICER
ASSISTANT SECRETARY



MS 16
L3

One Oak Way
Berkeley Heights, NJ 07922-2727
908 771-2000

August 18, 1992

Mr. E. H. Reber
U.S. Nuclear Regulatory Commission
Region 1
475 Allendale Road
King of Prussia, PA 19406

Re: Docket No. 030-04631
License No. 20-03527-01

Dear Mr. Reber:

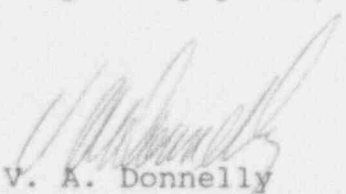
In response to your telephone call to Mr. R. Collipi of our Merrimack Valley Works, we will process an amendment to our letter of credit in favor of Nuclear Regulatory Commission to provide that any funds drawn under the letter of credit will be payable to a Standby Trust.

We will also add the following to the letter of credit:

The issuing bank also shall give immediate notice if they, for any reason, become unable to fulfill their obligation under the letter of credit.

With regard to the Standby Trust, we are amending an existing NRC Trust to allow for receipt of funds under the above referenced letter of credit.

Very truly yours,


V. A. Donnelly
Treasury Manager -
Letter of Credit Administration

cc: Ralph Collipi, North Andover, MA

MS 20
13
20-03527-01

LIST OF INSTRUCTIONS

AT&T Network Systems

In reviewing the comments the reviewer will note that there will be some overlap between ICF and OGC comments. The following comments should be included in the basis for the deficiency letter:

1. ICF comments 1 through 5 plus last paragraph.
2. All OGC comments.

All other comments and discussions are for reviewer information.

July 30, 1991

Memo to: Louis Bykoski, NMSS

From: Michael Finkelstein, OGC

Re: Review of Package #8 (ICF Reviews dated May 31, 1991)

AT&T Network Systems- Letter of Credit

All ICF recommendations should be implemented.



ICF INCORPORATED

May 31, 1991

To: Dr. Lou Bykoski, NMSS/NRC

From: Greg Currey, David Mitamura, and John Collier, ICF Incorporated

Subject: Review of Decommissioning Funding Plan and Letter of Credit
Submitted by AT&T Network Systems

AT&T Network Systems in North Andover, Massachusetts, submitted a decommissioning funding plan, using a letter of credit, in the amount of \$10,000. The submission assures estimated decommissioning costs of \$10,000 for license 20-03527-01 issued under 10 CFR Part 30. Upon review of the submission, ICF recommends that NRC Region I require the licensee to modify the submission in the following ways:

- (1) Submit additional detail to support the cost estimate;
- (2) Revise the letter of credit to include omitted language requiring return receipts;
- (3) Revise the letter of credit to include omitted language requiring notification of bank's inability to fulfill its obligation;
- (4) Revise the letter of credit to refer to a standby trust fund; and
- (5) Submit a standby trust agreement.

These recommendations and other issues are discussed below.

(1) Submit Additional Detail to Support the Cost Estimate

The licensee provided no description of the work required to decommission its facilities, or of the facilities themselves. Therefore, ICF cannot evaluate whether the licensee included reasonable cost estimates for all major decommissioning activities in its overall decommissioning cost estimate. ICF recommends that the NRC require the licensee to use or adapt the "Cost Estimating Tables" in Appendix F of *Regulatory Guide 3.66 "Standard Format and Content of Financial Assurance Mechanisms Required for Decommissioning Under 10 CFR Parts 30, 40, 70, and 72,"* June 1990, to demonstrate that it has provided reasonable cost estimates for all major decommissioning activities.

The licensee should provide information on the size of its facility and possible extent of decontamination required. Its estimates of labor costs should include cost for venting its remaining krypton and for packaging oil and soft components for disposal. The cost estimate should include all transportation costs and disposal costs for both the Tracerflo unit and sealed

sources. Also, labor costs for a final radiation survey should be included, if needed. Alternatively, the licensee should justify not including costs for a final radiation survey.

In addition, the licensee should incorporate a contingency factor of 25 percent into its estimate,¹ and should clarify that it has not included in its cost estimate credit for any salvage value that may be realized with the sale of potential assets after decommissioning (see page 1-10 of *Regulatory Guide 3.66*). Finally, as required under 10 CFR 30.35(e) the licensee should describe the means it will use to adjust its decommissioning cost estimate and associated funding level over the life of the facility. Adjustments should be made to account for inflation, for other changes in prices of specific goods and services, for changes in facility conditions, and for changes in expected decommissioning procedures.

(2) Revise the Letter of Credit to Include Omitted Language Requiring Return Receipts

The language recommended on page 4-33 of *Regulatory Guide 3.66* requires automatic extension of the expiration date "unless, at least 90 days before the current expiration date, [the issuer notifies] both you and [licensee's name], by certified mail, as shown on the signed return receipts [emphasis added]." The underlined phrase above, however, is not included in the submitted letter of credit. The phrase ensures that NRC is properly notified of cancellation in time to draw upon the mechanism if alternate assurance is not obtained. Therefore, ICF recommends that NRC require the licensee to revise the letter of credit to include the omitted language requiring return receipts.

(3) Revise the Letter of Credit to Include Omitted Language Requiring Notification of Bank's Inability to Fulfill its Obligation

The submitted letter of credit omits the following language, recommended in paragraph 3 on page 4-33 of *Regulatory Guide 3.66*, from the end of Paragraph 2 of the letter of credit:

"The financial institution also shall give immediate notice if the bank, for any reason, becomes unable to fulfill its obligation under the letter of credit."

This language helps ensure that both NRC and the licensee are given adequate warning of events that may jeopardize the financial assurance. ICF recommends that NRC require the licensee to modify the letter of credit to include this language.

¹ Use of a contingency factor of 25 percent is consistent with the cost estimates for each of six reference laboratories included in NUREG/CR-1754, Addendum 1, Technology, Safety and Costs of Decommissioning Reference Non-Fuel-Cycle Nuclear Facilities: Compendium of Current Information, Pacific Northwest Laboratory, October 1989.

(4) Revise the Letter of Credit to Refer to a Standby Trust Fund

Under 10 CFR 30.35(f)(2)(ii), a surety method of assurance, such as a letter of credit, "must be payable to a trust established for decommissioning costs." The letter of credit submitted by the licensee is payable to NRC, rather than to a standby trust fund. If funds were paid directly to the NRC, rather than to a standby trust fund, the NRC would be required to deposit the funds with the U.S. Treasury and would be unable to use them to pay for decommissioning costs. Thus, NRC should require the licensee to submit a revised letter of credit that is payable to a standby trust fund for decommissioning.

(5) Submit a Standby Trust Agreement

As discussed above, 10 CFR 30.35(f)(2)(ii) requires use of a standby trust fund with a letter of credit. In order to ensure that the standby trust fund meets NRC requirements, ICF recommends that NRC require the licensee to submit a standby trust agreement and related documents, as recommended in *Regulatory Guide 3.66*, pages 4-18 through 4-27.

Other Issues

Apart from editorial and non-substantive changes to the standard wording provided in *Regulatory Guide 3.66*, the following modifications are noteworthy:

- (1) The words "We are advised that" were added to the beginning of the sentence "This letter of credit is issued in accordance with regulations issued under the authority of the U.S. Nuclear Regulatory Commission (NRC). . ." in the fifth paragraph of the letter of credit. This additional language does not alter the stated authorities and does not reduce the protection provided by the mechanism.
- (2) The submitted letter of credit adds certain language (underlined below) to the following paragraph recommended on page 4-34 of *Regulatory Guide 3.66*:

"Except as far as otherwise expressly stated herein, this letter of credit is subject to the 'Uniform Customs and Practices for Documentary Credits (1983 Revision), International Chamber of Commerce Publication No. 400 [emphasis added]."

The additional language clarifies the interpretation of the letter of credit and does not affect the terms specified within the letter of credit.

- (3) The letter of credit does not identify the title of the officer who signed the letter of credit for the

issuer. Although the title may help identify the party who signed the mechanism, its omission does not affect the enforceability of the letter of credit.

- (4) The letter of credit is not dated on the signature page. This does not affect the validity of the mechanism because the letter of credit contains an effective date and an expiration date.

Finally, the Region should ensure that documents submitted by the licensee are originally signed duplicates, as recommended in *Regulatory Guide 3.66*. Unless the documents have been properly signed, NRC cannot be certain that the financial assurance mechanism is enforceable. Because ICF does not possess the original submissions, we cannot verify compliance with these requirements.

attachments

REVIEW OF DECOMMISSIONING FUNDING PLAN (DFP)

Name of company or institution:

AT&T Network Systems

Number of licenses and applicable regulations:

<u>1</u>	10 CFR Part 30
<u> </u>	10 CFR Part 40
<u> </u>	10 CFR Part 70
<u> </u>	10 CFR Part 72

Isotopes handled and possession limits (specify units):

⁸⁵Kr 2000:

Sealed sources { ⁸⁵Kr
¹⁴⁷Pm
²⁰⁴Tl

Total cost estimate for licenses listed above:

\$ less than \$10,000.00

General comments on DFP:

CHECKLIST FOR REVIEWING DECOMMISSIONING FUNDING PLANS (DFP's)

QUESTIONS

COMMENTS

<p>(1) Does the licensee provide supporting documentation for its cost estimates?</p> <p>___ Yes <input checked="" type="checkbox"/> No</p>	
<p>(2) Does the licensee use the Appendix F "Cost Estimating Tables?"</p> <p>___ Yes <input checked="" type="checkbox"/> No</p>	
<p>(3) Does the cost estimate include the following major cost elements?</p> <hr/> <p>(i) Planning and Preparation?</p> <p>___ Yes ___ No</p> <hr/> <p>(ii) Decontamination and/or Dismantling of Radioactive Facility Components?</p> <p>___ Yes ___ No</p> <hr/> <p>(iii) Packaging, Shipping, and Disposal of Radioactive Wastes?</p> <p>___ Yes ___ No</p> <hr/> <p>(iv) Restoration of Contaminated Areas on Facility Grounds?</p> <p>___ Yes ___ No ___ NA</p> <hr/> <p>(v) Final Radiation Survey?</p> <p>___ Yes ___ No</p> <hr/> <p>(vi) Site Stabilization, Long-Term Surveillance?</p> <p>___ Yes ___ No ___ NA</p>	<p>The licensee does not provide a breakdown of the cost components included in the estimate, or a specific dollar figure for the cost of decommissioning.</p>

CHECKLIST FOR REVIEWING DFP's (continued)

QUESTIONS

COMMENTS

<p>(4) Is the total cost estimate reasonable for the type(s) and size(s) of facility licensed?</p> <p>___ Yes ___ No</p> <p><input checked="" type="checkbox"/> Not Sure</p>	<p>Information should be provided on the size of the facility and extent of decontamination required. Labor costs should be included for venting remaining Krypton, and for packaging oil and soft components for disposal. All transportation costs and disposal costs for both the Tracerflo unit and sealed sources should be included. Labor costs for a final radiation survey should be included (if necessary).</p>
<p>(5) Are the cost estimates for individual facility activities and/or components reasonable?</p> <p>___ Yes ___ No</p> <p>___ Not Sure</p>	<p>No individual activities or components mentioned.</p>

CHECKLIST FOR REVIEWING DFP'S (continued)

QUESTIONS

COMMENTS

<p>(6) Do the computations seem correct?</p> <p>___ Yes ___ No</p>	<p>No computations.</p>
<p>(7) Does the licensee take credit for the potential salvage value of recovered materials or decontaminated equipment?</p> <p>___ Yes <input checked="" type="checkbox"/> No</p>	<p>Licensee does not mention salvage value.</p>
<p>(8) Does the licensee include a contingency factor in the cost estimate?</p> <p>___ Yes <input checked="" type="checkbox"/> No</p>	<p>Licensee does not mention a contingency factor.</p>
<p>(9) Does the licensee provide a description of the methods that will be used to adjust the decommissioning cost estimate periodically over the life of the facility?</p> <p>___ Yes <input checked="" type="checkbox"/> No</p>	

APPENDIX A
CHECKLIST FOR DECOMMISSIONING FINANCIAL ASSURANCE

NAME OF LICENSEE OR APPLICANT ATAWT Network Systems
MAILING ADDRESS 1600 Osgood Street
N Andover, MA 01845

A. Licensee Part (check one of the following):

- Part 30 Licensee or Applicant _____ Part 70 Licensee or Applicant
_____ Part 40 Licensee or Applicant _____ Part 72 Licensee or Applicant

B. Check appropriate item in each category (if applicable)

1. 11/29/90 Date of Financial Assurance Submission issue date: 11/27/90
effective date: 11/27/90
expiration date: 12/31/91
2. _____ Public Entity
 Private Entity
3. _____ Certification of Financial Assurance
 Decommissioning Funding Plan \$10,000
4. (a) _____ Prepayment Option (See Appendix B)
_____ Trust Fund
_____ Escrow Account
_____ Certificate of Deposit
_____ Government Fund
_____ Deposit of Government Securities
(b) Surety/Insurance/Other Guarantee (See Appendix C) \$10,000
_____ Surety bond
 Letter of Credit
_____ Line of Credit
_____ Parent Company Guarantee/Financial Test^{*}
(c) _____ External Sinking Fund, Sinking Account and Surety/
Insurance (See Appendix D)
_____ Trust Fund
_____ Escrow Account
_____ Certificate of Deposit
_____ Government Fund
_____ Deposit of Government Securities
_____ Surety Bond
_____ Letter of Credit
_____ Line of Credit
(d) _____ Statement of Intent (public entities only)

*May not be used in combination with any other instrument.

APPENDIX C

CHECKLIST FOR SUBMISSION OF SURETY/INSURANCE/PARENT COMPANY GUARANTEE

A. Check Appropriate Form of Surety/Insurance/Guarantee

- Surety Bond
- Letter of Credit
- Line of Credit
- Parent Company Guarantee/Financial Test*
- Insurance

B. Check Documents Submitted for Surety/Insurance/Guarantee

1. Surety Bond
 - Surety Bond
 - Standby Trust Agreement
 - Acknowledgement
2. Letter of Credit
 - Letter of Credit *Different wording*
 - Standby Trust Agreement
 - Acknowledgement

} Not included
3. Line of Credit
 - Verification
 - Standby Trust Agreement
 - Acknowledgement
4. Parent Company Guarantee
 - Letter from Chief Executive Officer of Applicant or Licensee
 - Letter from Chief Financial Officer of Parent Company
 - Financial Test: Alternative [I or II]
 - Auditor's Special Report and Attached Schedule
 - Corporate Guarantee
 - Standby Trust Agreement
 - Acknowledgement
5. Insurance
 - Certificate of Insurance
 - Standby Trust Agreement
 - Acknowledgement

May not be used in combination with any other instrument.

EXHIBIT 3-7

CHECKLIST OF CRITERIA FOR REVIEW OF LETTERS OF CREDIT

N/A •

Copy of corporate by-laws or other evidence indicating that parties signing the financial instrument (for the applicant) are authorized to represent the organization in the transaction.

NRC Region
should verify

Evidence that the financial instrument is an originally signed duplicate (e.g., an executed copy of the instrument).

✓ •

Evidence that the financial institution is regulated by Federal or State agency (e.g., member of FDIC, Federal Reserve System, etc.). *Citicorp, N.Y.*

✓ •

The instrument must be entitled a letter of credit.

✓ •

The letter should be limited in amount.

✓ •

The letter of credit must contain a specified expiration date or be written for a definite term. *auto extension*

✓ •

The issuer's obligation to pay the beneficiary should arise only upon presentation of a draft or other documents specified in the letter of credit.

✓ •

The bank must not be called upon to determine a question of fact or law at issue between the licensee and the Commission or State regulatory agency.

✓ •

The licensee should have an unqualified obligation to reimburse the issuer for payments made under the letter of credit.

- The letter of credit must be payable to a standby trust
- Not included in the letter of credit.

UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D. C. 20555

AUG 8 1991

MEMORANDUM FOR: John Kinneman, Chief
Nuclear Material Safety
Section Branch
Division of Radiation Safety
and Safeguards, Region I

FROM: Louis Bykoski
Division of Low-Level Waste Management
and Decommissioning, NMSS

SUBJECT: THE OFFICE OF GENERAL COUNSEL (OGC) AND CONTRACTOR COMMENTS
ON NONSTANDARD FINANCIAL ASSURANCE SUBMITTALS

The Office of General Counsel (OGC) and Contractor have received and provided comments on thirteen Region I nonstandard financial assurance submittals sent to us for review. The following licensees are included in the mailing.

REGION I

1. U. S. Army Medical Research Institute of Chemical Defense (DFP - statement of intent);
2. Merck Sharp & Dohme Research Laboratories (DFP-parent company guarantee);
3. GTE Products Corporation (DFP-parent company guarantee);
4. Applied Health Physics, Inc. (DFP - line of credit);
5. EG&G, Inc. (DFP - letter of credit);
6. AT&T Network Systems (DFP - letter of credit);
7. Worcester Foundation for Experimental Biology (DFP - trust agreement);
8. Union Carbide Chemicals and Plastics Company (parent company guarantee);
9. Textron Defense Systems (parent company guarantee);
10. New England Deaconess Hospital Corporation (parent company guarantee);
11. General Hospital Corporation (parent company guarantee);
12. The Budd Company (parent company guarantee; and
13. Boehringer Ingelheim Pharmaceuticals, Inc. (parent company guarantee)

The ICF comments are presented in two parts. The first part deals with specific recommendations to correct deficiencies. The second part (Other Issues) provides a discussion of changes to the standard wording that are acceptable and are not considered to be deficiencies. The OGC comments include additional deficiencies that need to be corrected by the licensee and comments for our internal use.

You should carefully review the comments before preparing the deficiency letter. We have enclosed more specific information to help you sort and consolidate the ICF and OGC comments.

John Finnegan

- 5 -

Should you have any further questions with regard to the comments, please call me on (301) 492-0572 or Michael Finkelstein of OGC on (301) 492-1623.

Louis Bykoski

Louis Bykoski
Division of Low-Level Waste Management
and Decommissioning, NMSS

Enclosure: As stated.

MAR 04 1991

MEMORANDUM FOR: Louis M. Bykoski, NRC Project Officer
Low Level Waste Management, Low Level Regulatory Branch

FROM: John D. Kinneman, Chief
Nuclear Materials Safety Section B
Division of Radiation Safety
and Safeguards

SUBJECT: NONSTANDARD FINANCIAL ASSURANCE SUBMITTALS RELATED TO THE
DECOMMISSIONING RULE

John Austin's August 6, 1990 memorandum set forth a procedure for submitting nonstandard financial assurance submittals to you for review by the NRC contractor. We have also included parent company guarantee's and decommissioning funding plans.

Licensee	License No.	Control No.
Union Carbide Corporation	37-19533-01	113570
Textron Defense Systems	20-02729-05	113598
Immunobiology Research Institute	29-28265-02	113779
AT&T Network Systems	20-03527-01	113367
Department of the Army		113939
Budd Company	37-05680-04	112995
Applied Health Physics, Inc.	37-09135-01	113046
Applied Health Physics, Inc.	37-14600-01	113045
Applied Health Physics, Inc.	SNM-811	113044
Cambridge Neuroscience Research, Inc.	20-27892-01	113931
Massachusetts General Hospital	20-03814-80	112977
New England Deaconess Hospital Corp.	20-00289-07	112651
University of Lowell	20-07446-01	112964

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FINANCIAL ASSURANCE MEMO/4 - 0001.0.0
02/26/91

ML 10

Louis M. Bykoski

2

If any of you or the contractors believe any of these cases should more properly be reviewed by the Region, please return them. Some of these cases have obvious, minor deficiencies which we have not attempted to resolve so that we could provide the cases to you promptly.

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

John D. Kinneman, Chief
Nuclear Materials Safety Section B
Division of Radiation Safety
and Safeguards

cc:

J. Glenn, NMSS
R. Bellamy, RI

RI:DRSS

Villar/bj

CKB for SV
02/27/91

[Signature]
RI:DRSS
Kinneman

02/27/91

OFFICIAL RECORD COPY

FINANCIAL ASSURANCE MEMO/4 - 0002.0.0
02/26/91

M316
L3



AT&T
Network Systems

Merrimack Valley Works

Western Electric® products
1600 Osgood Street
N. Andover, MA 01845
508 960-2000

November 28, 1990

U. S. Nuclear Regulatory Commission
Region I
475 Allendale Rd.
King of Prussia, PA 19406
ATTN: John D. Kinneman, Chief
Nuclear Materials Safety Section 2
Division of Radiation Safety and Safeguards
Mail Control No. 109770
License No. 20-03527-01
Docket No. 030-04631

Gentlemen:

This letter is in response to your position regarding decommissioning requirements for the NRC By-Product Material License issued to AT&T Network Systems Merrimack Valley Works in North Andover, MA.

Attached, please find a decommissioning plan and a certification of financial assurance for the estimated amount of the plan. We feel these documents meet the requirements of 10 CFR 30.35(c)(2) and 10 CFR 30.35(f).

If there are any further questions, I can be reached at 508/960-2047 between the hours of 7:30 am and 4:15 pm, Monday through Friday. Thank you.

Ralph V. Collipi Jr.
Ralph V. Collipi, Jr. CIH
Radiation Safety Officer

OFFICIAL RECORD COPY ML 10

113367
NOV 29 1990

DECOMMISSIONING PLAN FOR AT&T MERRIMACK VALLEY WORKS

License No. 20-03527-01
Docket No. 030-04631

BYPRODUCT MATERIAL - KRYPTON 85 GAS

The Tracerflo Machine No. 30010-1A-20 will be decommissioned by Radtrace Company, Santa Ana, California. The cost of this service will be approximately \$5,000. Any Krypton 85 gas remaining in the machine will be released in such a manner to ensure compliance with 10 CFR 20.106. The attached sheet shows the calculations for this release.

Decontamination of the machine and all facilities associated with the machine, namely the exhaust ductwork, will be achieved by airwashing the system through repeated vent cycles.

Should any unused cylinders of gas be on hand at the time of decommissioning they will be handled in the following manner;

1. The cylinders will be forwarded to one of our other AT&T Manufacturing facilities who are properly licensed for this by-product material. Merrimack Valley Works will ensure that said facility has sufficient capacity for the material so they remain within the confines of their license provisions.
2. In the event the material cannot be forwarded to another AT&T facility, attempts will be made to forward this material to another licensed corporation with similar facilities and adequate capacity.
3. If it is not possible to forward this material for usage, it will be loaded into the machine and vented to the atmosphere within discharge limits. In either case the attached calculation is for a total of 200 curies, the maximum amount we are allowed to possess.

SEALED SOURCES - KRYPTON 85, PROMETHIUM 147, THALLIUM 204

All sealed sources will be returned to Twin City International, our current leak test contractor, for disposal.

DECOMMISSIONING PLAN COST

It is estimated that the total cost of this decommissioning plan will be less than \$10,000. The attached documentation provides certification of financial assurance for this amount.

It is the responsibility of the Radiation Safety Officer for AT&T Merrimack Valley Works to execute this decommissioning plan.

RVC:20910:11/14/90

CALCULATIONS FOR RELEASE
OF KRYPTON 85 GAS FOR
DECOMMISSIONING ACTIVITIES

The plan is to release the gas over a 5 day period,
releasing approximately 40 curies/day.

Average Concentration Over 1 Year Period

Exhaust Volume

$$(2600 \text{ ft}^3/\text{min} \times 1440 \text{ min}/\text{day} \times 2.83 \times 10^4 \text{ cc}/\text{ft}^3 \times 365 \text{ days}) = \\ 3.87 \times 10^{13} \text{ cc air}$$

Concentration To A Restricted Area

$$(200 \times 10^6 \text{ uCi}) / (3.87 \times 10^{13} \text{ cc air}) = 5.17 \times 10^{-6} \text{ uCi}/\text{cc air}$$

The MPC for release of Krypton 85 gas to a restricted area
(Bldg. 30 roof) is 1×10^{-5} uCi/cc air as stated in
Appendix B, Table I of 10 CFR 20.106

The closest boundary to an unrestricted area, namely the
edge of the roof, is approximately 125 feet from the
exhaust stack penetration. To figure the concentration of
the release to the closest unrestricted area, a total
dilution chart is referenced from the stack model
submitted as part of our license renewal process in 1989.
This model was prepared in April 1989 by Sigma Research
Corporation, Westford, MA and is entitled "Modeling
Potential Accidental Krypton-85 Releases at AT&T Merrimack
Valley Works". This document is on file with the NRC,
Docket 030-04631. This chart shows a total dilution
factor of 96 at 100 feet, assuming a worst case condition
of a 2 mph wind speed.

Concentration To An Unrestricted Area (for 100 feet)

$$(5.17 \times 10^{-6} \text{ uCi}/\text{cc air}) / 96 = 5.38 \times 10^{-8} \text{ uCi}/\text{cc air}$$

The MPC for release of Krypton 85 gas to an unrestricted
area (boundary of Bldg. 30 roof) is 3×10^{-7} uCi/cc air as
stated in Appendix B, Table II of 10 CFR 20.106.

RVC:20910:11/14/90

NORTH AMERICAN FINANCE GROUP - TRADE FINANCIAL SERVICES
SORT # 5878
111 WALL STREET NEW YORK, NY 10043

NOVEMBER 27, 1990

U.S. NUCLEAR
REGULATORY COMMISSION
WASHINGTON, DC 20555

REF: IRREVOCABLE LETTER OF CREDIT NO. NY-0882-30007922

GENTLEMEN:

WE HEREBY ESTABLISH OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. NY-0882-30007922 IN YOUR FAVOR, AT THE REQUEST AND FOR THE ACCOUNT OF AT&T NETWORK SYSTEMS, A DIVISION OF AMERICAN TELEPHONE AND TELEGRAPH COMPANY (AT&T) UP TO THE AGGREGATE AMOUNT OF TEN THOUSAND AND 00/100 U.S. DOLLARS (\$10,000.00), AVAILABLE UPON PRESENTATION OF:

- 1) YOUR SIGHT DRAFT DRAWN ON US, BEARING REFERENCE TO THIS LETTER OF CREDIT NO. NY-0882-30007922, AND
- 2) YOUR SIGNED STATEMENT READING AS FOLLOWS: "I CERTIFY THAT THE AMOUNT OF THE DRAFT IS PAYABLE PURSUANT TO REGULATIONS ISSUED UNDER AUTHORITY OF U.S. NUCLEAR REGULATORY COMMISSION."

THIS LETTER OF CREDIT IS EFFECTIVE IMMEDIATELY AND SHALL EXPIRE ON DECEMBER 31, 1991 BUT SUCH EXPIRATION DATE SHALL BE AUTOMATICALLY EXTENDED, WITHOUT AMENDMENT, FOR A PERIOD OF ONE YEAR ON DECEMBER 31, 1991 AND ON EACH SUCCESSIVE EXPIRATION DATE, UNLESS AT LEAST 90 DAYS BEFORE THE CURRENT EXPIRATION DATE, WE NOTIFY BOTH YOU AND AT&T THAT WE ELECT NOT TO EXTEND THE EXPIRATION DATE FOR ANY FURTHER PERIOD. IF AT&T IS UNABLE TO SECURE ALTERNATIVE FINANCIAL ASSURANCE TO REPLACE THIS LETTER OF CREDIT WITHIN 30 DAYS OF NOTIFICATION OF CANCELLATION, THE U.S. NUCLEAR REGULATORY COMMISSION MAY DRAW UPON THE FULL VALUE OF THIS LETTER OF CREDIT PRIOR TO CANCELLATION. THE BANK SHALL GIVE IMMEDIATE NOTICE TO THE APPLICANT AND THE U.S. NUCLEAR REGULATORY COMMISSION OF ANY NOTICE RECEIVED OR ACTION FILED ALLEGING (1) ITS INSOLVENCY OR BANKRUPTCY OR (2) ANY VIOLATIONS OF REGULATORY REQUIREMENTS THAT COULD RESULT IN SUSPENSION OR REVOCATION OF THE BANK'S CHARTER OR LICENSE TO DO BUSINESS.

WHENEVER THIS LETTER OF CREDIT IS DRAWN ON, UNDER AND IN COMPLIANCE WITH THE TERMS OF THIS LETTER OF CREDIT, WE SHALL DULY HONOR SUCH DRAFT UPON ITS PRESENTATION TO US WITHIN 30 DAYS.

EACH DRAFT MUST BEAR ON ITS FACE THE CLAUSE: "DRAWN UNDER LETTER OF

CREDIT NO. NY-0882-30007922 DATED NOVEMBER 27, 1990, AND THE TOTAL OF THIS DRAFT AND ALL OTHER DRAFTS PREVIOUSLY DRAWN UNDER THIS LETTER OF CREDIT DOES NOT EXCEED U.S. DOLLARS \$10,000.00."

WE ARE ADVISED THAT THIS LETTER OF CREDIT IS ISSUED IN ACCORDANCE WITH REGULATIONS ISSUED UNDER THE AUTHORITY OF THE U.S. NUCLEAR REGULATORY COMMISSION (NRC), AN AGENCY OF THE U.S. GOVERNMENT, PURSUANT TO THE ATOMIC ENERGY ACT OF 1954, AS AMENDED, AND THE ENERGY REORGANIZATION ACT OF 1974. THE NRC HAS PROMULGATED REGULATIONS IN TITLE 10, CHAPTER I OF THE CODE OF FEDERAL REGULATIONS, PART (30, 40, 70, OR 72), WHICH REQUIRE THAT A HOLDER OF, OR AN APPLICANT FOR, A LICENSE ISSUED UNDER 10 CFR PARTS (30, 40, 70, OR 72) PROVIDE ASSURANCE THAT FUNDS WILL BE AVAILABLE WHEN NEEDED FOR DECOMMISSIONING.

SHOULD YOU HAVE OCCASION TO COMMUNICATE WITH US REGARDING THIS CREDIT, KINDLY ADDRESS ALL CORRESPONDENCE TO CITIBANK, N.A., 111 WALL STREET, 3RD FLOOR, ATTN: NORTH AMERICAN TRADE SERVICES, NEW YORK, NY 10043, MAKING SPECIFIC MENTION TO OUR CREDIT NO. NY-0882-30007922.

EXCEPT AS FAR AS OTHERWISE EXPRESSLY STATED HEREIN, THIS LETTER OF CREDIT IS SUBJECT TO THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS (1983 REVISION) INTERNATIONAL CHAMBER OF COMMERCE PUBLICATIONS NO. 400

CITIBANK N.A.



AUTHORIZED SIGNATURE.



CITIBANK N.A.
North American Trade Services
111 WALL STREET, 3RD FLOOR
NEW YORK, NY 10043
TEL: (212) 851-1000

OCT 3 0 1990

License No. 20-03527-01
Docket No. 030-04631
Control No. 109770

AT&T Network Systems
Western Electric Products
ATTN: Ralph V. Collipi, Jr., CIH
Radiation Safety Officer
1600 Osgood Street
North Andover, Massachusetts 01845

Gentlemen:

We have reviewed your letter dated June 4, 1990 with regard to financial assurance for decommissioning.

Your letter states your conclusion that this regulation does not apply to your facility since no waste is generated. However, due to your authorized possession limit for krypton-85, 10 CFR 30.35(c)(2) requires that you submit either a decommissioning funding plan containing a cost estimate or certification of financial assurance in the amount of \$750,000. In either case, financial assurance must be provided by one of the methods described in 10 CFR 30.35(f) and the executed instruments must accompany the plan or certification. A regulatory guide which describes acceptable instruments is enclosed.

With regard to your statement that no waste is generated, we understand your position, but disagree. It is possible that you might have on hand, at the time of decommissioning your facility, up to your authorized possession limit of krypton-85. This krypton-85 will require proper disposal.

If you believe that your facility could be decommissioned for less than the required \$750,000, you may submit a cost estimate as part of a decommissioning funding plan. Such a cost estimate must include the costs (even if you expect they will be borne as part of normal operations) of all aspects of decommissioning. This includes all administrative and technical action to effect decommissioning, such as performing the final survey and doing the administrative work to request termination of the license. The appropriate level of detail is reflected in Appendix F in the enclosed Regulatory Guide.

If you plan to dispose of any krypton-85 in your possession at the time of decommissioning by release to unrestricted areas, so state and submit calculations to demonstrate that such a release will be in compliance with 10 CFR 20.106. Include information on the stack flow rate, the release rate to be used, etc.

OFFICIAL RECORD COPY

ML 364 REBER - 0001.0.0
10/23/90

ML 10

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. 109770.

If we do not receive a reply from you within 30 calendar days from the date of this letter, we may take enforcement action for a violation of 10 CFR 30.35.

Sincerely,

Original Signed By:
John D. Kinneman

John D. Kinneman, Chief
Nuclear Materials Safety Section B
Division of Radiation Safety
and Safeguards

Enclosure:
Regulatory Guide 3.66, "Standard Format and Content of Financial Assurance Mechanisms Required for Decommissioning Under 10 CFR Parts 30, 40, 70 and 72"

bcc:
E. Reber, RI
J. Kinneman, RI

DRSS:RI
Reber/mtb

10/23/90

DRSS:RI
Kinneman

10/30/90



AT&T
Network Systems

Merrimack Valley Works

Western Electric* products
1600 Osgood Street
N Andover, MA 01845
508 960-2000

June 4, 1990

U. S. Nuclear Regulatory Commission
Region I
475 Allendale Rd.
King of Prussia, PA 19104
ATTN: Jean A. Gress
Senior Health Physicist
Nuclear Materials Safety Section A
Division of Radiation Safety and Safeguards
Mail Control No. 109770
License No. 20-03527-01
Docket No. 030-04631

RECEIVED
90 SEP 26 P2:40
U.S. NUCLEAR REGULATORY COMMISSION
MAIL ROOM

Gentlemen:

The purpose of this letter is to address the requirements posed by 53 FR 2108, "General Requirements for Decommissioning Nuclear Facilities". These rules require a financial program to put money in a trust for decommissioning activities for our Tracerflo Leak Test Machine.

In our opinion this requirement of the code does not apply to our use of the Tracerflo Leak Test Machine which uses the nuclear by-product Krypton 85 gas. Because Krypton is a noble gas, all residue proceeds up the local exhaust ventilation system associated with the facility and no waste is generated. Therefore, all decontamination is accomplished via air washing through the exhaust system.

AT&T Merrimack Valley Works requests a reply in writing to this issue so that we take appropriate action in a timely manner if our interpretation is incorrect.

If there are any further questions, I can be reached at 508/960-2047 between the hours of 7:30 am and 4:15 pm. Thank you.

Ralph V. Collipi, Jr.
Ralph V. Collipi, Jr. CIH
Radiation Safety Officer

113367
9/20/90

: (FOR LFMS USE)
: INFORMATION FROM LTS
: -----

BETWEEN:

LICENSE FEE MANAGEMENT BRANCH, ARM
AND
REGIONAL LICENSING SECTIONS

: PROGRAM CODE: 03124
: STATUS CODE: 0
: FEE CATEGORY: 3P
: EXP. DATE: 19940630
: FEE COMMENTS: -----

LICENSE FEE TRANSMITTAL

A. REGION

1. APPLICATION ATTACHED
APPLICANT/LICENSEE: AT & T NETWORK SYS.
RECEIVED DATE: 900920
DOCKET NO: 3004631
CONTROL NO.: 113367
LICENSE NO.: 20-03527-01
ACTION TYPE: AMENDMENT

2. FEE ATTACHED
AMOUNT: -----
CHECK NO.: -----

3. COMMENTS

and 112854 pending
*RI / Is this really an
amd. request? The
Licensee asked for
a written reply to a
decomm. question.*

SIGNED *Justin M. Haverkamp*
DATE *10/10/90*

B. LICENSE FEE MANAGEMENT BRANCH (CHECK WHEN MILESTONE 03 IS ENTERED *1/1*)

1. FEE CATEGORY AND AMOUNT: *3P* -----

2. CORRECT FEE PAID. APPLICATION MAY BE PROCESSED FOR:
AMENDMENT -----
RENEWAL -----
LICENSE -----

3. OTHER -----

SIGNED *st*
DATE *10/10/90*