



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

JUN 7 1994

40-9027

Docket 40-6940  
License SMB-920

Mr. William Gannon  
Radiation Safety Officer  
Cabot Corporation  
County Line Road  
Boyertown, Pennsylvania 19512-1608

Dear Mr. Gannon:

SUBJECT: FINANCIAL ASSURANCE FOR DECOMMISSIONING (TAC. NO. L10014)

The Nuclear Regulatory Commission has determined that Cabot Corporation's Decommissioning Funding Plan (DFP) for Licenses SMB-920 and SMC-1562 contains deficiencies and must be revised to reflect the comments noted below.

By letter dated July 23, 1990, Cabot Corporation submitted a certification of financial assurance using an irrevocable standby letter of credit for the amount of \$750,000. This letter of credit was also included as the financial assurance mechanism in the renewal application for Licenses SMB-920 and SMC-1562, submitted by letter dated March 16, 1994.

The regulation 10 CFR 40.36 states that either a DFP or a certification of financial assurance can be submitted as evidence of financial assurance for decommissioning. However, the option of using a certification of financial assurance in the amount of \$750,000 is acceptable only to cover the period from July 27, 1990 (the date identified by the regulation) until the time of the renewal application. A DFP must be included in the renewal application, and a DFP must include a cost estimate for decommissioning and a description of the mechanism for assuring funds in the amount of that estimate. Therefore, the amount of financial assurance that Cabot Corporation provides should be for the full amount of the cost estimate and not \$750,000.

According to 10 CFR 40.36(e)(2)(ii), a surety method of assurance (e.g., a letter of credit) must be payable to a trust established for decommissioning costs. A standby trust agreement (STA) ensures that there will be no delay in drawing upon the letter of credit while a trust is being established and ensures that the terms of the standby trust are acceptable to NRC. Consequently, a letter of credit provides evidence of financial assurance only when accompanied by the STA. The "Standard Format and Content of Financial Assurance Mechanisms Required for Decommissioning Under 10 CFR Parts 30, 40, 70, and 72," Regulatory Guide 3.66 (RG 3.66), pages 4-18 through 4-27, clarifies and provides guidance on the STA and its accompanying documents. NRC requests that Cabot develop a standby trust agreement and revise the DFP to include it in addition to the letter of credit.

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NRC further requests that Cabot Corporation submit additional detail and documentation in support of the decommissioning cost estimate (Attachment P of the renewal application), to demonstrate that it has provided reasonable cost estimates for all major decommissioning activities. The cost estimating tables in Appendix F of RG 3.66, and the tables in Appendices A through E of "Technology, Safety, and Costs of Decommissioning Reference Non-Fuel Cycle Nuclear Facilities," NUREG/CR-1754 Addendum 1, provide guidance to licensees on considerations for and methods of preparing cost estimates that NRC staff uses in evaluating DFPs.

It is our understanding that Cabot Corporation intends to use one DFP to cover the three sites (i.e., Revere, Reading, and Boyertown) covered by Licenses SMB-920 and SMC-1562. As was discussed in an August 18, 1993, meeting at NRC Headquarters, this approach is acceptable to NRC. However, the cost estimate provided in the renewal application apparently covers only the Boyertown facility. In providing the additional detail and documentation discussed above, please estimate costs associated for all three sites by submitting cost breakdowns for each.

Prior to formalizing responses and prior to initiation of any projects resulting from the above comments, Cabot Corporation should discuss the comments with NRC through telephone discussions and/or meetings to ensure the intent of the comments is clear. Additionally, Cabot Corporation is requested to provide a formal response, including appropriate revisions and additional documents, no more than 30 days from the date of this letter. Please reference the above TAC No. in future correspondence related to this request.

Mr. Robert Lewis is temporarily managing the renewal review of License SMB-920 while I complete a rotational assignment, from which I return on June 15. If you have any questions, please call Mr. Lewis on (301) 415-6680.

Sincerely,

Original Signed By:

Richard Milstein  
Licensing Section 2  
Licensing Branch  
Division of Fuel Cycle Safety  
and Safeguards, NMSS

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