

January 16, 1998

MEMORANDUM TO: Larry Bell, Section Chief  
Materials Decommissioning Section  
Low-Level Waste and Decommissioning  
Projects Branch  
Division of Waste Management, NMSS

FROM: John W. N. Hickey, Chief [Original signed by]  
Low-Level Waste and Decommissioning  
Projects Branch  
Division of Waste Management, NMSS

SUBJECT: FINANCIAL ASSURANCE INSTRUMENT SECURITY EVALUATION

I am attaching a copy of the financial assurance instrument security evaluation recently performed by T. C. Johnson (see Attachment 1). The evaluation indicates a number of items applicable to Materials Decommissioning Section projects that need to be corrected. Attachment 2 is a table that outlines these items and the needed corrective actions. Please provide us with your corrective actions by February 13, 1998. L. Bykoski and T. C. Johnson will provide any assistance you need.

Attachments: As stated

CONTACT: L. Bykoski, DWM/NMSS  
(301) 415-6754

T. C. Johnson, DWM/NMSS  
(301) 415-7299

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TICKET: N/A

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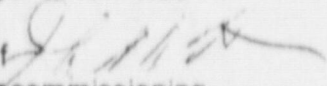




UNITED STATES  
NUCLEAR REGULATORY COMMISSION  
WASHINGTON, D.C. 20555-0001

January 16, 1998

MEMORANDUM TO: Larry Bell, Section Chief  
Materials Decommissioning Section  
Low-Level Waste and Decommissioning  
Projects Branch  
Division of Waste Management, NMSS

FROM: John W. N. Hickey, Chief   
Low-Level Waste and Decommissioning  
Projects Branch  
Division of Waste Management, NMSS

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January 16, 1998

MEMORANDUM TO: Larry Bell, Section Chief  
Materials Decommissioning Section  
Low-Level Waste and Decommissioning  
Projects Branch  
Division of Waste Management, NMSS

FROM: John W. N. Hickey, Chief [Original signed by]  
Low-Level Waste and Decommissioning  
Projects Branch  
Division of Waste Management, NMSS

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UNITED STATES  
NUCLEAR REGULATORY COMMISSION

WASHINGTON, D. C. 20555-0001

January 14, 1998

MEMORANDUM TO: John W. N. Hickey, Chief  
Low-Level Waste and Decommissioning  
Projects Branch  
Division of Waste Management

FROM: Timothy C. Johnson, Section Chief  
Facilities Decommissioning Section  
Low-Level Waste and Decommissioning  
Projects Branch  
Division of Waste Management

SUBJECT: FINANCIAL ASSURANCE INSTRUMENT SECURITY EVALUATION

In accordance with Management Directive 8.12, "Decommissioning Financial Assurance Instrument Security Program," on December 30 and 31, 1997, and January 2, 1998, I conducted an evaluation of the financial assurance instruments held within the NMSS Headquarters instrument safe. My evaluation was based on the evaluation form attached as Attachment 1. I also checked to verify that current financial assurance information is in the Licensing Tracking System (LTS).

My findings are provided in Attachment 2. No instruments were missing. The instruments are being stored in a GSA approved safe in accordance with Management Directive 8.12. In general, the inventory log should be more rigorously filled out to ensure that proper dates, instruments, and signatures are identified. Outdated instruments should be removed from the safe and returned to the licensee. When new instruments are submitted, this information needs to be included not only in the inventory log, but also the inventory control list. Note that this was a recommendation in L. Bykoski's evaluation of December 1996, but has not been fully implemented. Entries in the inventory control log should also be more complete. Note that this was also a recommendation in L. Bykoski's evaluation of December 1996, but has not been fully implemented. For almost all NMSS licenses requiring financial assurance, the LTS needs to be updated. Not all the LTS update recommendations made in L. Bykoski's December 1996 evaluation appear to have been incorporated. While recommendations were forwarded to the appropriate groups, there was no formal followup to ensure resolution of the open items. In the future, resolution of open items need to be formally tracked to ensure proper closure.

Attachments: As stated

Contact: TCJohnson, DWM/NMSS  
(301) 415-7299

480-1920188  
Attachment 1



## Financial Assurance Instrument Evaluation Comments

### 1. Inventory Log Sheets

Most entries under "Signature of Person Removing or Returning Instrument and Date" use initials and not signatures. Signatures should be used for these entries. Also, many entries do not have dates. Dates should be included for all entries.

### 2. Kerr-McGee, Cimarron

Need to remove superseded parent guarantee documents and return to licensee.

### 3. Babcock & Wilcox

Need to remove outdated instruments.

The Morgan letter of credit is undated - should this be 12-18-96?

The Scotiabank letter of credit amendment dated 7-28-97 was not on the inventory log.

Inventory log sheet dates do not match some instrument dates.

Need to check the BWT standby trust value of \$16,832,000.

### 4. Framatome

Remove outdated instruments.

### 5. Siemens

Was a parent guarantee instrument submitted with the 12-20-96 CFO and auditor's letters? If so, it should be checked to see if it is still valid and whether or not it has been superseded.

The standby trust amendment dated 4-16-97 was not listed correctly on the inventory log.

Need to remove outdated instruments.

The inventory log shows Parent Guarantee Amendment No. 1. Need to verify what this is.

In the safe are standby trusts from Wachovia Bank and First Citizens Bank and a standby trust amendment from Bank of New York. Need to determine which of these standby trusts are valid and which trust the amendment applies to.

### 6. NFS

The escrow agreements dated 2-17-97 and 9-24-97 are not shown on the inventory log.

Need to remove outdated instruments.



7. Dow

Need to remove outdated instruments.

8. Jefferson Proving Ground

Remove outdated instruments.

The Statement of Intent is undated. Need to have it dated.

9. Fort St. Vrain

The license was terminated in August 1997. The instruments need to be canceled and returned to the licensee.

10. Cintichem

The standby trust document is not an original. Need to obtain an original if possible.

11. Molycorp

It appears that the parent guarantee documents dated 8-31-94 have been superseded. If so, remove the outdated parent guarantee instrument.

12. Hartley & Hartley, SCA

It appears that insurance policy documents dated 3-31-94 and 4-26-94 have been superseded. If so, these documents should be removed.

13. Hartley & Hartley, MDNR

It appears that the statement of intent dated 9-5-95 has been superseded. Remove outdated instruments.

14. Whittaker

The letter of credit number is different from that stated on Schedule A of the standby trust. Need to ensure that the standby trust properly references the correct letter of credit.

15. Sequoia Fuels

There are two escrow agreements in the safe. Has one been superseded? If so, please remove the superseded instrument.

16. General Electric

Need to remove superseded self-guarantee documents.

19. Westinghouse

The Westinghouse financial assurance instruments in the safe were not listed on the inventory log.

20. Rio Algom, Lisbon

Have the parent guarantees dated 3-21-91, 6-25-92, and 6-8-95 been superseded? If so, they should be removed from the safe.

21. Kennecott, LBar

The letter of credit is issued to Sohio Western and not Kennecott. Is this an acceptable name for the licensee?

22. Pathfinder, Lucky #10

Have the letters of credit issued by the Banque National de Paris been superseded? If so, they should be removed from the safe.

23. ARCO, Bluewater

There is only a copy of the standby trust. The original should be located, if possible.

24. Pathfinder, Shirley Basis

Have the letters of credit issued by the Banque National de Paris been superseded? If so, they should be removed from the safe.

25. Quivera

It appears that the parent guarantees dated 3-21-91, 6-8-95, and 6-26-96 have been superseded. If so, they should be removed from the safe.

26. Rio Algom, Smith Ranch

Superseded and draft copies of the parent guarantee should be removed from the safe.



27. Licensing Tracking System

The Licensing Tracking System (LTS) needs to be updated for the following licenses:

ARCO, Bluewater (SUA-1470) - not in LTS  
Atlas, Moab (SUA-917)  
Envirocare (SUA-1559)  
Exxon, Highlands (SUA-1139)  
Homestake, Milan (SUA-1471)  
Sohio Western, LBar (SUA-1472)  
Kennecott, Sweetwater (SUA-1350)  
Pathfinder, Lucky Mc (SUA-672)  
Pathfinder, Shirley Basin (SUA-442)  
Petrochemicals (SUA-551)  
Plateau Resources (SUA-1371)  
Quivera, Ambrosia Lake (SUA-1473)  
Rio Algom, Lisbon (SUA-1119)  
Rio Algom, Smith Ranch (SUA-1548) - not in LTS  
Umetco, White Mesa (SUA-1358)  
UNC, Church Rock (SUA-1475)  
BWX (SNM-2001)  
BWX (SNM-42, SNM-414)  
BP Chemicals (SUB-908)  
Cabot, Boyertown (SMB-920)  
Cabot, Reading and Revere (SMC-1562)  
Chemetron (SUB-1357)  
Cintichem (SNM-639) - not in LTS  
Dow (21-00265-06, STB-527, R-108)  
Fansteel (SMB-911)  
General Atomics (SNM-696, R-67, R-38)  
General Electric (various licenses)  
Hartley & Hartley, MDNR - not in LTS  
Hartley & Hartley, SCA  
Kerr-McGee, Cimarron (SNM-928) - not in LTS  
McDermott Technologies (SUB-1259, BPM-34-03043-03) - not in LTS  
Molybdenum (SMB-1408) - not in LTS  
Nuclear Fuel Services (SNM-124)  
RMI (SMB-602)  
Sequoyah Fuels (SUB-1010)  
Shieldalloy (SMB-743, SMB-1507)  
Siemens (SNM-1227)  
Department of Commerce, NIST (SNM-362)

The above LTS entries need to be updated to reflect the correct name of the licensee; the correct instrument type, issuer, and amount; and whether the instrument has been approved and the correct date of approval. Some of the uranium mill license entries have the number of the letter of credit, bond, etc. These numbers should be removed from the LTS as the LTS is not a controlled database.

The following licenses have listings in the LTS, but there are no instruments in the safe:

- American Nuclear (SUA-667)
- Bear Creek (SUA-1310)
- Cogema (SUA-1341)
- Crow Butte (SUA-1534)
- International Uranium (SUA-1558)
- Pathfinder (SUA-1540)
- Power Resources (SUA-1511)
- Umetco (SUA-648)
- U.S. Energy (SUA-1524)
- Western Nuclear (SUA-56)
- Baltimore Gas & Electric (SNM-2505)
- Massachusetts Institute of Technology (SNM-986)
- Pennsylvania State Univ. (SNM-95)
- Purdue Univ. (SNM-142)

The LTS entries for the above licenses need to be checked to verify that financial assurance is required; that instruments have been provided and we know where the instruments are (if the instruments are not in Regional safes, the instruments need to be forwarded to DWM or the Regions for placement in the instrument safe); and the LTS entries need to be updated as necessary.

Materials Decommissioning Section Financial Assurance Evaluation Followup Items

Item	Finding	Action Needed	Disposition	Status
1.	Dow: It appears that there are superseded instruments in the safe.	Remove superseded items and return originals to licensee.		OPEN
2.	Hartley & Hartley, SCA: It appears that insurance policy documents dated 3-31-94 and 4-26-94 have been superseded.	Remove superseded items and return originals to licensee.		OPEN
3.	Whittaker: The letter of credit number is different from that stated on Schedule A of the standby trust.	Need to ensure that the standby trust properly references the correct letter of credit.		OPEN
4.	The LTS contains outdated information for the following licenses:  BP Chemicals (SUB-908) Dow (21-00265-06, STB-527, R-108) Hartley & Hartley, SCA RMI (SMB-602)	The LTS entries need to be updated to reflect the correct name of the licensee; the correct instrument type, issuer, and amount; and whether the instrument has been approved and the correct date of approval.		OPEN