



UNITED STATES
NUCLEAR REGULATORY COMMISSION

WASHINGTON, D. C. 20555-0001

September 13, 1999

Mr. Jean-Claude Hunel, Treasurer
Framatome Cogema Fuels
3315 Old Forest Road
P.O. Box 10935
Lynchburg, VA 24506-0935

SUBJECT: DECOMMISSIONING FUNDING ASSURANCE OPTIONS (TAC NO. L31233)

Dear Mr. Hunel:

I have discussed your August 18, 1999, letter concerning Regulatory Guide 3.66 with our resident authority on this document and its decommissioning financial assurance guidance. As you know, any change that you wish to make to your financial assurance mechanism as a result of your review of Regulatory Guide 3.66, or of its draft replacement, DG-3014 (which was issued for comment on July 14, 1999), would require you to submit for NRC approval a proposed revision to your Decommissioning Funding Plan and financial surety arrangements.

Following are some answers to your questions on the prepayment mechanism of a trust fund:

- 1. Are investments limited to obligations of the Federal Government and State and Municipal bonds as specifically delineated on page 4-20 in Section 6 (b)? This definition is not present on page 4-14 in Section 6 of the Trust Fund Agreement and the inclusion of the prudent investor language would seem to indicate that other investments would be allowed. Also, Exhibit 3-5 provides for stock and other securities to be listed in the description of trust property section. We would appreciate any clarification of this issue that can be provided. No, investments are not limited to obligations of the Federal Government and State and Municipal bonds, but the investments should be sufficiently prudent to give assurance that decommissioning funds will be available. The Trust Management guidance for a Trust Fund Agreement (Section 4.3.1 of Regulatory Guide 3.66) and for a Standby Trust Agreement (Section 4.3.2) were meant to be identical. This has been corrected in the revised draft DG-3014 where the Trust Management sections of the Model Trust Fund Agreement (Section 4.4) and of the Model Standby Trust Agreement (Section 17.4) are worded identically.*
- 2. After the annual valuation of the Trust Fund, what are the available options if the value of the Trust greatly exceeds the value required for the assurance of decommissioning? Is there any provision made for the potential removal of this excess value from the trust before decommissioning begins? We could not find this issue addressed. Subject to NRC approval, excess value may be removed from the trust before decommissioning begins.*

NRC FILE CENTER COPY

94-163

NF05

9909170170 990913
PDR ADOCK 07001201
C PDR

Jean-Claude Hunel

2

3. *It is also our understanding from Section 3.2.5 that we can use the prepayment trust fund mechanism and the current surety standby trust letter of credit method in combination as long as the total of the two provides sufficient financial assurance for decommissioning costs. Is this understanding correct? Yes, provided that this is consistent with your approved Decommissioning Funding Plan and financial surety arrangements.*

I hope that this letter helps you in your deliberations regarding meeting our requirements in a least burdensome manner.

Sincerely,

Original signed by:

Barry T. Mendelsohn, Project Manager
Licensing Team 1
Licensing and International
Safeguards Branch
Division of Fuel Cycle Safety
and Safeguards, NMSS

Docket 70-1201
License SNM-1168

cc:cc: Mr. Charles A. Armontrout, Manager
Licensing and Quality Systems
Framatome Cogema Fuels
Lynchburg Manufacturing Facility
P.O. Box 11646
Lynchburg, Virginia 24506-1646

DISTRIBUTION: (Control No. A60S)

Docket File 70-1201

PUBLIC

NRC File Center

LIB R/F

LBykoski, DWM

MLamastra

MAdams

Region II

HAstwood

[G:\lib\financial assurance.wpd]

OFC	LIB <i>BM</i>	LIB <i>C</i>	LIB <i>eb</i>
NAME	BMendelsohn:mm	PShea <i>ps</i>	CEmeigh
DATE	9/10/99	9/10/99	9/13/99

Jean-Claude Hunel

2

3. *It is also our understanding from Section 3.2.5 that we can use the prepayment trust fund mechanism and the current surety standby trust letter of credit method in combination as long as the total of the two provides sufficient financial assurance for decommissioning costs. Is this understanding correct? Yes, provided that this is consistent with your approved Decommissioning Funding Plan and financial surety arrangements.*

I hope that this letter helps you in your deliberations regarding meeting our requirements in a least burdensome manner.

Sincerely,



Barry T. Mendelsohn, Project Manager
Licensing Team 1
Licensing and International
Safeguards Branch
Division of Fuel Cycle Safety
and Safeguards, NMSS

Docket 70-1201
License SNM-1168

cc: Mr. Charles A. Armontrout, Manager
Licensing and Quality Systems
Framatome Cogema Fuels
Lynchburg Manufacturing Facility
P.O. Box 11646
Lynchburg, Virginia 24506-1646