



SHIELDALLOY METALLURGICAL CORPORATION

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August 27, 2007

Commissioner Lisa P. Jackson
State of New Jersey
Department of Environmental Protection
401 East State Street, 7th Floor, East Wing
P.O. Box 402
Trenton, NJ 08625-0402

Re: Decommissioning of the Newfield Facility – Request for Financial Information

Dear Commissioner Jackson:

This letter is in response to your correspondence dated July 25, 2007, reiterating your request for financial information from Shieldalloy Metallurgical Corporation ("SMC") in connection with the decommissioning of SMC's Newfield, New Jersey site.

As indicated in our previous letters of February 26 and May 31, 2007, we believe that the New Jersey Department of Environmental Protection is in possession of all the financial information required to make the decision whether to accept the role of governmental institution responsible for the long-term control ("LTC") and maintenance of the restricted release portion of the Newfield site.

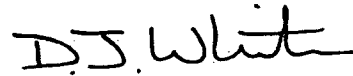
Your July 25 letter states that the requested financial information is relevant to the issue "whether SMC can dispose of the radioactive materials off-site and whether adequate financial assurance for disposal on-site can be provided." Financial assurance for the proposed decommissioning approach to the Newfield site, the LTC option, is as set forth in Section 15.3 of the Decommissioning Plan submitted by SMC to the U.S. Nuclear Regulatory Commission ("NRC").

The adequacy of funds to dispose of the radioactive materials offsite is not relevant to SMC's ability to exercise the LTC option or to its choice of that option. Although your letter states that NRC Safety Request for Additional Information ("RAI") 72 supports your request for financial information, we do not agree. RAI 72 asks why the offsite removal option is not feasible for Newfield and if, "for example," insufficient funds for offsite removal is the reason offsite removal is not feasible, SMC should provide "a thorough discussion and evidence of insufficient funds for disposal." However, SMC has opted for the LTC decommissioning option

rather than off-site disposal on the basis of a cost-benefit analysis, not on the basis of "insufficient funds for disposal". As discussed in the Decommissioning Plan Section 1.7, a determination of the cost/benefit of each disposal alternative "taking into account both radiological and non-radiological impacts on workers and members of the public ... clearly demonstrates that the LTC alternative is the most defensible decommissioning option for the Newfield site." Thus, the financial feasibility of the offsite removal alternative and the adequacy of funds for off-site disposal are irrelevant to the selection and implementation of the proposed LTC option.

As indicated in my May 31, 2007 letter, we remain committed to the Decommissioning Plan submitted for the Newfield site which, we believe, represents the best and safest solution to the decommissioning of the site. If you have any further questions or comments concerning this matter, please feel free to contact me.

Sincerely,

A handwritten signature in black ink that reads "D.J. White". The signature is written in a cursive, flowing style.

David J. White, PhD
HSE Director

Cc: Eric Jackson, President, Metallurg Inc.
Hoy Frakes Jr., VP and General Manager, SMC
David R. Smith, Radiation Safety Officer, SMC
Larry Camper, Director, NRC/Division of Waste Management & Environmental Protection



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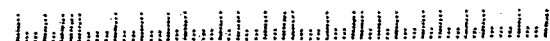


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