

NOTICE OF VIOLATION

SteriGenics, International  
4020 Clipper Court  
Fremont, CA 94538-6540

License No. 04-19644-01

During the NRC review of your Financial Assurance submittal, a violation of NRC requirements was identified. In accordance with the "General Statement of Policy and Procedure for NRC Enforcement Actions," 10 CFR Part 2, Appendix C (1992), the violation is listed below:

10 CFR 30.35(c)(3) requires each holder of a specific license issued before July 27, 1990, and of a type described in 10 CFR 30.35(b), to submit, on or before July 27, 1990, a certification of financial assurance for decommissioning or a decommissioning funding plan.

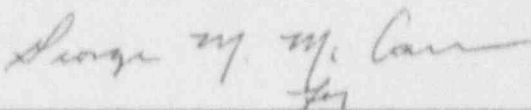
Contrary to the above, acceptable Decommissioning Financial Assurance has not been submitted to date. Specifically, your method for assuring funds for decommissioning (i.e., letter of credit) is deficient as described in the attachment to this Notice of Violation.

This is a Severity Level IV violation (Supplement VII).

Pursuant to the provisions of 10 CFR 2.201, SteriGenics, International is hereby required to submit a written statement or explanation to the U.S. Nuclear Regulatory Commission, Region III, 799 Roosevelt Road, Glen Ellyn, Illinois, 60137, within 30 days of the date of this Notice of Violation (Notice). This reply should be clearly marked as a "Reply to a Notice of Violation" and should include for each violation: (1) The reason for the violation, or, if contested, the basis for disputing the violation, (2) The corrective steps that have been taken and the results achieved, (3) The corrective steps that will be taken to avoid further violations, and (4) The date when full compliance will be achieved.

If an adequate reply is not received within the time specified in this Notice, an order or a demand for information may be issued as to why the license should not be modified, suspended, or revoked, or why such other action as may be proper should not be taken. Where good cause is shown, consideration will be given to extending the response time.

September 5, 1992  
Dated

  
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John A. Grobe, Chief  
Nuclear Materials Safety Branch

## ATTACHMENT TO NOTICE OF VIOLATION

### 1. Violation of 10 CFR 30.35(f)(2)

Title 10 CFR 30.35(f)(2) specifies that a surety method may be used to provide financial assurance for decommissioning costs. A surety method may be in the form of a letter of credit. We have determined that your submittal is unacceptable for the following reasons:

- a. The letter of credit contains some, but not all, of the wording recommended in Regulatory Guide 3.66, and also adds provisions that are not recommended. For example, most of the recommended opening paragraph is missing. As a result, the beginning of the letter of credit is unclear. In addition, nonstandard language labeled "Instructions" has been added near the end; this makes the letter unclear as to whether earlier instructions, which were included from the recommended wording, apply.
- b. The letter of credit fails to state the NRC's regulatory authority for requiring financial assurance. Such a statement helps ensure that the mechanism was executed to assure only decommissioning costs, and that NRC regulations may be considered applicable to interpreting any ambiguities in the terms of the mechanism.
- c. The letter of credit relaxes the issuer's notification responsibilities in the event the bank chooses not to renew the credit. Specifically, the bank is required to notify only the NRC, and not the licensee, of the bank's intent to renew. In addition, notification may be made by "courier mail, registered mail or certified mailed at our discretion." Allowing notification by courier mail does not meet the certified or registered mail standard that the NRC relies on to provide signed return receipts through the U.S. Postal Service. As a result, the NRC and the licensee may not have adequate time or warning to address the situation prior to cancellation of the letter of credit.
- d. The letter of credit does not contain language requiring the issuer to give immediate notice if the bank, for any reason, becomes unable to fulfill its obligation under the letter of credit. Such language is necessary to ensure that both the NRC and the licensee are given adequate warning of events that may jeopardize the financial assurance.