

GENERAL ATOMICS

PROJECT NUMBER

PRODUCTS 40-08027-MLA

RELATED CORRESPONDENCE

Enclosure Contains Confidential Information 92 DEC 21 P4 20

December 18, 1992

Robert M. Bernero, Director
Office of Nuclear Material Safety
and Safeguards
U.S. Nuclear Regulatory Commission
Washington, D.C. 20655

Re: Sequoyah Fuels Corporation

Dear Mr. Bernero:

At the meeting with the Nuclear Regulatory Commission (NRC) on December 1, 1992, I discussed why General Atomics (GA) was unable to enter into the draft agreement between GA and Sequoyah Fuels Corporation (SFC) that had been provided to you on June 24, 1992. I pointed out that in order to enter into such agreement GA had to have the consent of its bank under GA's bank loan agreement. As noted, in view of changed circumstances, such approval was not obtainable.

In developing the draft GA-SFC agreement GA contemplated that SFC would be able to restart operations of its UF₆ conversion facility and obtain a 10-year renewal of its license. As events developed, SFC's deteriorated financial condition coupled with SFC's inability to return to sustained profitable operations, made it clear that the bank's consent to such an agreement would not be forthcoming.

Instead of GA and SFC entering into the draft GA-SFC agreement, the agreement was arranged between SFC and ConverDyn that was described at the December 1 meeting. This agreement provides for fees to be paid to SFC by ConverDyn that will enhance SFC's ability to meet its remediation and decommissioning costs.

In the ensuing question and answer portion of the meeting, I was asked whether GA had formally requested its bank to consent to GA's execution of the draft GA-SFC agreement. As I described, on the basis of its constant communications with the bank, GA was certain that the bank would not consent to such an agreement while SFC's financial situation was uncertain. In order to confirm GA's understanding, I am enclosing a copy of my letter to Citibank dated December 18, 1992, and Citibank's response dated December 18, 1992 (Enclosure 1). GA requests

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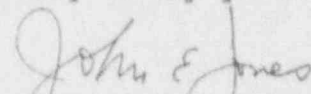
that Enclosure 1 be treated as proprietary confidential financial information under the provisions of 10 C.F.R. 2.790. GA is a privately held corporation and that enclosure contains sensitive financial information.

Members of the NRC staff at the December 1 meeting questioned GA's position on GA's March 19 letter to Chairman Selin and the draft GA-SFC agreement. A review of those documents confirms that GA intended that they be dependent upon SFC's license renewal application and SFC's ability to obtain a renewed license for the operation of its facilities, including UF₆ conversion activities, for a 10-year renewal term.

Those documents make it clear that GA's support of SFC's ability to provide financial assurance for decommissioning was related to the proposed funding plan required for license renewal, and GA's support of SFC's remediation of environmental concerns was related to a reasonable schedule to be agreed upon by SFC and the NRC in the license renewal process. Since SFC will not continue operation of the UF₆ conversion facility and will not obtain a 10-year renewal of its license for such operation, the approach contemplated in those documents is no longer applicable.

However, as an alternative, the expected payment of substantial fees from ConverDyn to SFC over the next 12 years has been arranged. GA and SFC believe that with an on-site disposal approach these fees will be adequate to cover the planned remediation and decommissioning activities. We would be pleased to discuss these estimated costs and the flow of revenues to Sequoyah at a proprietary meeting.

Very truly yours,



John E. Jones
Sr. Vice President

Enclosure

cc: (w/o enclosure)
November 23 Recipients of SFC's November 23, 1992
Letter to NRC