

September 24, 1996

Abbott Health Products, Inc.
 ATTN: Mr. Gary P. Coughlan
 President
 Macco Industrial Park
 State Road 690, KM 1.7
 Barrio Sabana Hoyos
 Vega Alta, PR 00692

SUBJECT: REVIEW OF REVISED PARENT COMPANY GUARANTEE/FINANCIAL
 TEST SUBMITTED BY ABBOTT HEALTH PRODUCTS, INC.
 (YOUR LETTER MARCH 25, 1996)

Dear Mr. Coughlin:

This refers to your financial assurance submittal dated March 25, 1996. We have reviewed the documentation provided which included a revised parent company guarantee attesting to the availability of up to \$75,000 (when required) for decommissioning of facilities utilized under License No. 52-24994-01.

Within the scope of our review, your submission is acceptable and complies with NRC's Regulatory Guide 3.66 "Standard Format and Content of Financial Assurance Mechanisms Required for Decommissioning Under 10 CFR Parts 30, 40, 70, and 72" (June 1990).

Detailed comments from our review are enclosed for your use when providing future revisions. However, these comments do not require response at this time.

Thank you for your assistance in this matter.

If you have questions about this letter, please call me at 404-331-5617.

Sincerely,

Original signed by
 E. G. Wright

Earl G. Wright
 Senior License Reviewer
 Division of Nuclear Materials Safety

Enclosure: Detailed Comments

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REVIEW COMMENTS
(DO NOT REQUIRE A RESPONSE)

Apart from editorial and non-substantive changes to the standard wording provided in Regulatory 3.66, the following modifications were noteworthy, but require no further response:

1. The chief financial officer (CFO) letter does not identify the license number of the facility listed in paragraph 2, as recommended in Regulatory Guide 3.66 on page 4-36. Because the financial test becomes more difficult to pass for higher decommissioning costs, failure to include the costs of all relevant licenses could result in a guarantor "double-counting" the same limited assets to assure multiple facilities. NRC needs to verify that guarantors do not use a financial test to guarantee any other licenses (regardless of whether these licenses are held by the licensee, other subsidiaries of the guarantor, or the guarantor itself). License numbers provide the most efficient method. However, because the submitted paragraph does identify the name, location, and current cost estimate of the facility, and because the license number of the facility is identified in other parts of the submission, there is no benefit to revising the paragraph to identify the license number.
2. The CFO letter is signed by the President of the licensee rather than by the CFO of the parent company guarantor as is called for in Regulatory Guide 3.66. In this case, however, Mr. Gary P. Coughlan serves as both the President of the licensee and the CFO of the parent company. Therefore, Mr. Coughlan should be qualified to certify the authenticity of the data used in the parent guarantor's financial test.
3. According to a corporate resolution from the parent company, the parent company's CFO is authorized as CFO to represent the guarantor in entering into the guarantee agreement. Nevertheless, Mr. Coughlan signed the guarantee agreement in his capacity as President of the licensee rather than his capacity as CFO of the guarantor. Nevertheless, because Mr. Coughlan does in fact serve as an authorized representative of the parent company we believe that his signature (in any capacity) adequately assures the parent company's acceptance of the guarantee.
4. The submitted schedule attached to the auditor's special report follows the wording recommended in Regulatory Guide 3.66, page 4-40. The recommended wording in Regulatory Guide 3.66 notes, however, that the "balance of schedule is not illustrated," and that the recommended wording "illustrates the form of schedule that is contemplated," while "details and reconciling items will differ in specific situations." The schedule in the submission does not address all items that should have been addressed given the licensee's specific situation. As a result, the submitted auditor's special report does not confirm the following information included in the guarantor's financial test demonstration: current assets; the sum of net income plus depreciation, depletion and

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amortization; and total assets in the United States. Despite this deficiency, we were able to use information in the guarantor's most recent 10-K filing with the U.S. Securities and Exchange Commission to confirm the accuracy of the financial test demonstration (including current assets; the sum of net income plus depreciation, depletion and amortization; and total assets in the United States).

5. The submission does not include a copy of the guarantor's annual financial statements as called for in Regulatory Guide 3.66, page 3-21. These financial statements, which must be audited by an independent certified accountant, are necessary in order to determine whether the data used in the financial test fairly present the guarantor's financial condition. We were able, however, to obtain the guarantor's March 11, 1996, 10-K filing with the U.S. Securities and Exchange Commission and to determine that it includes an independent certified accountant's "clean" opinion of the guarantor's audited financial statements.
6. Recital 7 of the submitted parent guarantee agreement states that if the licensee fails to perform the required decommissioning activities, then the guarantor shall carry out the required activities. In contrast, the recommended wording in Regulatory Guide 3.66, page 4-42, specifies that the guarantor will carry out the required activities or set up a trust fund to pay for the required activities. The submitted modification is acceptable because the guarantor is simply pre-selecting an allowable method for discharging its obligations under the guarantee.
7. Recital 7 of the submitted parent guarantee agreement contains an apparent typographical error in that it states the license number as "52-24992-01" (emphasis added) instead of 52-24994-01. Because the license number is clearly stated as 52-24994-01 in Recitals 5 and 11 and in other supporting documentation, we do not believe that this error reduces the assurance provided by the agreement.
8. The submission does not include a standby trust agreement or related documentation. This omission is consistent, however, with the terms specified in Recital 7 of the guarantee. Because the guarantor has elected to conduct the required activities, if necessary, rather than to fund a trust to pay for the activities, a standby trust agreement is not needed.

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