

December 13, 1996

Mr. John J. Hunter, Corporate Manager of
Process Engineering and Facilities
Construction
Fansteel, Inc.
Number Ten Tantalum Place
Muskogee, Oklahoma 74401

SUBJECT: FINANCIAL ASSURANCE FOR DECOMMISSIONING OF THE FANSTEEL, INC.
FACILITY AT MUSKOGEE, OKLAHOMA (TAC NO. L30705)

We have completed the review of your August 19, 1996, financial assurance submittal for your Muskogee, Oklahoma, facility (License No. SMB-911). The document in your submittal, the Northern Trust Company's Irrevocable Letter of Credit, Number S265349, dated August 14, 1996, is satisfactory with the exceptions noted in the enclosed comments.

Please be aware that the adequacy of the Decommissioning Funding Plan cost estimate has not yet been determined by the NRC staff. If the cost estimate is later determined to be greater than the current value of \$4,456,460.00, the financial assurance coverage provided by the two Letters of Credit will have to be increased.

Please make the appropriate revisions to resolve the issues raised in the enclosed comments and resubmit your revised Letter of Credit and Standby Trust Agreement within 60 days from the date of this letter. Final action on your January 25, 1995, amendment request for the processing of Work in Progress Material will not be taken until these revisions have been received.

We appreciate your cooperation in this matter. If you have any questions, please contact Susan Chotoo of my staff at (301) 414-8102.

Sincerely,

ORIGINAL SIGNED BY:

Michael F. Weber, Chief
Licensing Branch
Division of Fuel Cycle Safety
and Safeguards, NMSS

Docket 40-7580
License SMB-911

Enclosure: As stated

Distribution w/encl

Docket 40-7580

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NRC COMMENTS ON REVIEW
OF FINANCIAL ASSURANCE MECHANISM DATED AUGUST 14, 1996
FANSTEEL, INC.

1. Paragraph 1 of the submitted Letter of Credit (LOC) misstates the amount of credit in the following parenthetical reference:

We hereby establish our irrevocable standby letter of credit ... up to the aggregated amount of three million seven hundred six thousand four hundred sixty and 00/100, U.S. dollars (\$3,704,460.00)...
(emphasis added)

Revise Paragraph 1 of the LOC (No. S265349) to state the correct amount of the credit.

2. The submission on August 19, 1996, does not include an updated standby trust agreement. Therefore, it is not clear that Schedule A to the licensee's standby trust agreement has been revised to reflect the current cost estimate for license SMB-911. If Schedule A has not been updated, the standby trust would allow the trustee to make payments of only \$750,000, rather than \$4,456,460, toward decommissioning of facilities under this license. 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), page 4-26, recommends that Schedule A list the cost estimates most recently adjusted and approved by the NRC. To ensure that the standby trust agreement provides adequate financial assurance to NRC, Schedule A should be revised to reflect all costs assured.

3. The LOC states:

We hereby engage with you that drafts and documents presented under and in compliance with the terms and conditions of this credit will be duly honored if **presented at our office** on or before the expiration date of the credit. (emphasis added)

In order to avoid potential delays or failures in drawing on the LOC, please specify which address corresponds to the "office" referred to in the above paragraph; P.O. Box 92921, 50 South La Salle Street, L-4 or LOC, 10 South Las Salle Street, Suite 410. Also, our reading of the LOC is that it does not require in person presentation by the NRC of the sight draft. ~~Is~~ this correct?

4. In the revision of the LOC, please request Northern Trust Company to provide the **printed** names or titles of the officers who signed the LOC for the issuer. The signatures are illegible. The LOC should also be dated on the signature page.

ENCLOSURE