

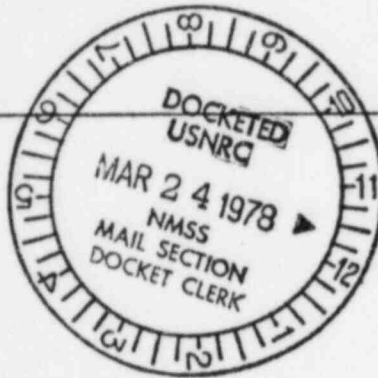
70-27, 70-135, 70-364,  
70-824, + 70-1201

**Babcock & Wilcox**

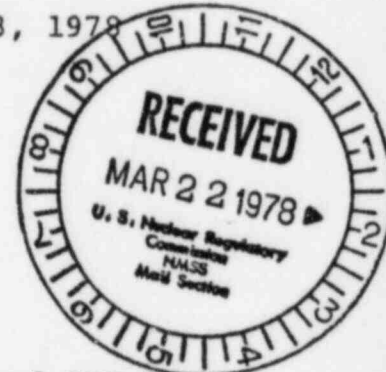
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## Regulatory Docket File



March 13, 1978



Mr. John B. Martin  
Assistant Director  
Fuel Cycle Safety and Licensing  
Division of Fuel Cycle and Material Safety  
United States Nuclear Regulatory Commission  
Washington, D.C. 20666

Re.: License Numbers SNM-42, SNM-145, SNM-414, SNM-778 and SNM-1168 -  
Financial Assurance for Payment of Decommissioning Costs

Dear Mr. Martin:

At a meeting in your offices on March 1, 1978, Mr. H. D. Kenney, Vice President and Controller, presented a summary of the financial condition of Babcock & Wilcox which demonstrated conclusively our ability to pay the costs of decommissioning our nuclear facilities.

Enclosed, as promised, is a copy of our Annual Report to Stockholders and our Annual Report on Form 10-K to the Securities and Exchange Commission for 1976. The 1977 reports will be provided to you as soon as they become available in early April.

You asked us to state specifically our plans for decommissioning the Nuclear Materials Division high enriched uranium fuel fabrication facilities in Apollo, Pennsylvania. Part of that effort has already been accomplished, as described to you in J. S. Dziewiesz's letter of February 13, 1978. The work remaining to be done is described in the Decommissioning Plans submitted on February 17, 1978. That work is to begin in the second quarter of this year and is to be completed by the end of 1979. It is estimated that the work will cost \$159,000 during 1978, and \$393,000 during 1979.

Full provision has been made for these financial obligations which are included in the total current liabilities of the Company's Balance Sheet at December 31, 1977. Of course, should actual costs exceed these estimates, these would be funded and the work would not be delayed on that account.

We presently plan to phase out our Apollo low enriched uranium fuel fabrication operations in 1983 and 1984. We estimate the costs associated with decommissioning these facilities will approximate \$745,000 in 1983 and \$1,504,000 in 1984. We have reflected this liability on a pro-rata basis in our financial statements, since the terminal point for those operations was determined in 1975. Under our present accounting practice, full provision will have been made in our financial statements prior to commencing decommissioning activities in 1983. In the event our present timetable for phasing out operations at these facilities is either

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advanced or deferred, we would adjust our financial provisions accordingly.

With respect to other nuclear facilities of the Nuclear Materials Division and other divisions of Babcock & Wilcox, although decommissioning plans and cost estimates have been developed, it is not possible at this time to determine when operations at these facilities will be phased out. Financial Accounting Standards Board Opinion No. 5, "Accounting for Contingencies," requires that certain conditions be met before an estimated loss from a loss contingency can be accrued. Since it is not possible to determine when these other facilities may no longer be in operation, we would not be permitted by that accounting standard to follow the accounting procedures, which currently apply, for decommissioning the Apollo facilities. It is our intent, however, to make appropriate financial provisions for these facilities once the criteria of FASB Opinion No. 5 are met.

In order to demonstrate the ability of Babcock & Wilcox to cover the costs of decommissioning all of its nuclear facilities, regardless of when decommissioning occurs, we intend to provide you with assurance on a continuing basis.

In connection with our private placement Promissory Note Agreements with insurance lenders, there are certain requirements as to consolidated capitalization as defined, dividend declarations and other covenants which must be met. Within 90 days after the close of each fiscal year, the Company is required to furnish to the lenders an Officers' Certificate stating that a review of the activities of the Company during such fiscal year has been made to determine whether the Company has kept, observed, performed and fulfilled all of its obligations and met the covenants and conditions of the Agreements and, if the Company has not, a statement specifying all such defaults and the nature and status of each must be furnished. We will provide a copy of such a statement. Furthermore, in our Annual Report to Stockholders and in the Annual Report on Form 10-K, furnished to the Securities and Exchange Commission, we state that all restrictive provisions of our debt agreements have been met and our independent accountants certify to these representations.

The Company's amount of working capital was substantially in excess of the estimated decommissioning costs at December 31, 1977. We will advise you promptly if we become in non-compliance with either the debt covenants or if the amount of working capital (defined as Current Assets less Current Liabilities, net of Deferred Taxes) should fall below the then-current estimated cost of decommissioning and, in either event, alternative assurance reasonably satisfactory to the NRC will be provided.

Babcock & Wilcox personnel will be pleased to meet with you at any time to discuss the financial condition of our Company and our ability to cover the costs of decommissioning our nuclear facilities.

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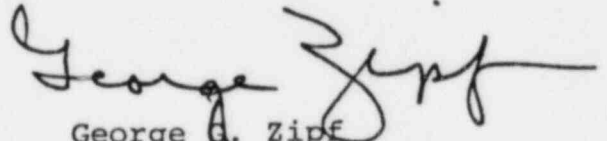
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We trust that the meeting in Silver Springs, Maryland and this letter will satisfy the requirements of the Nuclear Regulatory Commission. If you have any further questions or desire additional information, please advise us.

Very truly yours,

A handwritten signature in dark ink, appearing to read "George Zipf". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

George G. Zipf  
Chairman and President

GGZ:es  
Encls.

FROM <b>Babcock &amp; Wilcox</b>		DATE OF DOCUMENT <b>03-13-78</b>	DATE RECEIVED <b>3-22-78</b>	NO <b>08838</b>
		LTR <b>X</b>	MEMO	REPORT
		OTHER		
TO <b>JBMartin</b>		ORIG <b>1</b>	CC	OTHER
		ACTION NECESSARY <input type="checkbox"/>	CONCURRENCE <input type="checkbox"/>	DATE ANSWERED
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CLASSIF <b>U</b>	POST OFFICE <b>U</b>	FILE CODE <b>70-27, 70-135</b>		
	REG. NO.	<b>70-364, 70-824 &amp; 70-1201</b>		
DESCRIPTION (Must Be Unclassified)		REFERRED TO	DATE	RECEIVED BY
<b>Financial Assurance for Payment of Decommissioning Costs</b>		<b>Docket File Cy (5) 3/24</b>		
		<b>RStarostecki (4 ltr &amp; control)</b>		
		<b>LCRouse (4 ltrs &amp; control)</b>		
		<b>JMartin (ltr &amp; control)</b>		
		<b>JPowers (ltr &amp; control)</b>		
		<b>JPartlow (ltr &amp; control)</b>		
		<b>I&amp;E (10)</b>		
<b>ENCLOSURES</b>  <b>1 cy of enclosures rec'd enclosures sent to Starostecki</b>		<b>PDR (5)</b>		
		<b>LPDR (2)</b>		
REMARKS				
				<b>08838 ced</b>

U. S. NUCLEAR REGULATORY COMMISSION

MAIL CONTROL FORM

FORM NRC-326  
(1-75)