

Advanced Medical Systems, Inc.

1020 London Road
Cleveland, Ohio 44110
(216) 692-3270
Fax (216) 692-3269

PUBLIC/PDR

June 5, 1997

Mr. John Madera
United States Nuclear Regulatory Commission
Region III
801 Warrenville Road
Lisle, Illinois 60532-4351

34-19089-01
030-16055

Re: Advanced Medical Systems, Inc.

Dear Mr. Madera:

On February 21, 1997, Advanced Medical Systems, Inc. ("AMS") requested authorization to release additional collateral from the AMS Standby Letter of Credit in order to complete the disposal of radioactive waste.

On May 6, 1997, Roy Caniano, Acting Director, Division of Nuclear Materials Safety, by a letter to S.S. Stein, President of AMS, indicated that the NRC would grant the request subject to AMS agreeing with the four conditions contained therein and requesting that AMS reply to the letter within thirty days. Mr. Caniano indicated that the NRC would take no further action on AMS request until the NRC had received AMS's responses to the above conditions. On May 15, 1997, AMS responded to all four conditions including a plan to make periodic financial contributions toward the decommissioning funding obligations if AMS was not in full compliance with 10 CFR 30.35.

On May 27, 1997, Michael F. Weber issued to Edward L. Swigel, Chairman, Radiation Safety Committee of AMS, Amendment No. 49. As part of Amendment No. 49 was License Condition No. 25 which provides as follows:

The licensee will submit a revised Decommissioning Funding Plan based on the immediate dismantlement option with a financial assurance instrument meeting the requirements of 10 CFR 30.35(f) for the amount of the cost estimate, no later than July 1, 1997. (Underlining added).

License Condition No. 25, on its face, says that the licensee, that is, AMS, will submit a revised Decommissioning Funding Plan based on the immediate dismantlement "with

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a financial assurance instrument meeting the requirements of 10 CFR 30.35(f) for the amount of the cost estimate, no later than July 1, 1997". The next paragraph of Mr. Weber's letter advises that AMS's proposed periodic financial contributions toward the decommissioning funding obligation is still under NRC review. It would appear from a literal reading of License Condition No. 25 that unless AMS provides a financial assurance instrument in the amount of the DFP cost estimate no later than July 1, 1997, it will be in violation of its license. As AMS indicated in its letter of May 15, 1997, and as AMS has indicated to the NRC on previous occasions, it cannot meet the financial obligations under 10 CFR 30.35. AMS estimates that the amount of the decommissioning will approximate an amount of money in excess of \$3,000,000.00. And, in AMS's letter of May 15, 1997, AMS gave financial documentation going back five years and showing considerable losses for each and every one of the five years and no source of funding likely to allow AMS to meet Decommissioning Funding Regulations amounts based on immediate dismantlement costs.

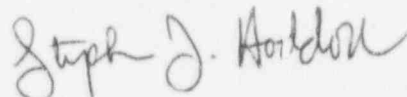
On May 30, 1997, AMS representatives discussed this matter with Mike Weber and he indicated that in his opinion, the License Amendment of May 27, 1997 incorporated the NRC letter of May 6, 1997 such that AMS's submission of the financial data and its proposal to make periodic financial contributions towards the decommissioning funding obligations would satisfy compliance with License Condition No. 25.

However, AMS is concerned that the unambiguous wording of Condition No. 25 requires it to produce the funds not later than July 1, 1997. AMS would request that the NRC correct Condition No. 25 so as to incorporate Condition Nos. 3 and 4 of the May 6, 1997 letter into Condition No. 25 or to give written assurance that AMS's letter of May 15, 1997 constitutes compliance with Condition No. 25.

AMS wishes to complete the waste removal from the premises at 1020 London Road as soon as possible. However, in view of its financial situation, AMS does not want to be in the position of removing the rad waste only to be placed in a position of immediate license violation which it cannot rectify.

Please advise at your earliest convenience.

Very truly yours,



STEPHEN J. HADDOCK
Radiation Safety Officer