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NRC ORDERS SEQUOYAH FUELS AND GENERAL ATOMICS
TO PROVIDE FUNDING FOR CLEANUP OF OKLAHOMA SITE

The Nuclear Regulatory Commission staff has ordered Sequoyah Fuels Corporation and General Atomics to be jointly and separately responsible for providing funding for the cleanup and decommissioning of their uranium conversion facility near Gore, Oklahoma. By November 19, 1993, GA is to provide financial assurance for decommissioning and decontamination in the amount of \$86 million.

In February of this year, SFC notified the NRC of its decision to terminate production activities at the facility.

Under the terms of the order, GA and SFC will be responsible for providing funding to continue remediation of existing contamination at the site (regardless of whether the facility continues to operate or not), providing financial assurance in accordance with the requirements of NRC regulations, and providing an updated detailed cost estimate for decommissioning and a plan for assuring the availability of adequate funds for completion of decommissioning.

SFC is ordered to carry out the funding plan it proposed on February 16, 1993. The order also provides that if funds available to SFC to complete cleanup and decommissioning of the facility are less than currently projected, or if the decommissioning alternative that is eventually approved by the NRC is more costly than the one specified by SFC in a preliminary plan for completion of decommissioning submitted on February 16, 1993, GA must make up the shortfall by providing funds to SFC to carry out required decommissioning activities or by directly funding the decommissioning activities.

GA is to provide the \$86 million in financial assurance through prepayment; a surety method, insurance or other guarantee method; or an external sinking fund in which deposits are made at least annually, coupled with a surety method or insurance. If GA demonstrates to the satisfaction of the Commission that this

amount exceeds the amount necessary to properly decontaminate and decommission the facility and site, GA may request a reduction in the amount.

SFC submitted its February 16 preliminary plan for decommissioning as part of its response to a demand for information issued by the NRC on December 29, 1992, to GA and SFC. Earlier GA and SFC had indicated that GA had restructured the business activities of SFC by entering into a joint venture with Allied-Signal, Inc., which operates a uranium conversion facility near Metropolis, Illinois. GA and Allied-Signal formed a partnership, ConverDyn, to satisfy outstanding business commitments of SFC. GA and SFC asserted that funds for cleanup of the Gore facility would be provided through anticipated revenues generated by ConverDyn.

NRC's review of the formal responses of SFC and GA to the December 29, 1992, demand for information and further information submitted on July 21, 1993, indicates that the proposed ConverDyn arrangement appears to be a bona fide business arrangement among the various parties and their principals. However, estimates of income from the ConverDyn arrangement are necessarily uncertain because they are based on assumptions about the market for uranium hexafluoride conversion services over the next ten years, ConverDyn's ability to keep existing customers or obtain new ones, and the costs of business operations.

The NRC staff also indicated that there is uncertainty concerning SFC's projected decommissioning costs. Although the preliminary plan for completion of decommissioning was submitted, the proposed decommissioning plan has not yet been submitted. The cost estimate in the preliminary plan for completion of decommissioning is based on assumptions as to acceptable decommissioning alternatives. If more costly decommissioning alternatives are required by the NRC as a result of its review, the revenues from the ConverDyn arrangement and other sources are unlikely to be sufficient. Further, the "voluntary assistance" offered by GA in its letter to the NRC of February 16, 1993, does not amount to a parent corporation guarantee, and even if it did it would not satisfy the Commission's regulations.

The NRC staff concluded that the degree of GA's control over the business of SFC and the representations of the Chairman of GA, the parent corporation of SFC, regarding financial assurance, on which the Commission relied in authorizing restart of the SFC facility on April 16, 1992, make GA responsible, along with SFC, for satisfying NRC financial assurance requirements.

SFC, GA and any other person adversely affected by the order may request a hearing within 20 days.