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VIA FACSIMILE/ORIGINAL VIA U.S. MAIL

January 6, 2000

John H. Herman, Esquire
Office of Chief Counsel
Pennsylvania Department of Environmental Protection
400 Waterfront Drive
Pittsburgh, PA 15222-4745

Re: Molycorp, Inc.
Washington, Pennsylvania Facility Decommissioning Project

Dear Mr. Herman:

This is in response to your letter, dated December 21, 1999. You indicate that the Pennsylvania Department of Environmental Protection ("DEP") believes that it is premature to assess the merits of Molycorp, Inc.'s ("Molycorp") proposal to locate licensed radioactive materials permanently at the site by means of a conditioned license termination. Please note, however, that Molycorp is not seeking any type of final approval of its decommissioning plan from the DEP at this time. Instead, Molycorp seeks to determine whether the DEP would be interested in serving as the enforcing governmental agency with respect to Molycorp's proposed institutional controls.

The institutional controls, once finalized, will be incorporated into Molycorp's decommissioning plan which currently is scheduled to be submitted to the U.S. Nuclear Regulatory Commission ("NRC") on or before April 14, 2000. The final decommissioning plan is still being drafted and, therefore, is not yet ready for review by the DEP or the NRC. The purpose of Molycorp's December 15, 1999 meeting at the NRC's offices in Rockville, Maryland, which the DEP attended, was to discuss the proposed decommissioning plan conceptually so that the NRC, and the DEP, could raise any preliminary concerns before Molycorp began the task of finalizing the plan.

As noted above, the institutional controls required by 10 C.F.R. § 20.1403 will be incorporated into the decommissioning plan. In order for Molycorp to finalize its institutional controls, Molycorp needs to know whether the DEP is willing to act as the enforcing agency under the proposed administrative order on consent and the proposed covenants, restrictions and negative easements. Molycorp also is seeking input from the locally affected communities through the Site Specific Advisory Board ("SSAB") which was established pursuant to the NRC's regulations. The SSAB has indicated that it does not intend to provide much in the way of comments on Molycorp's proposed institutional controls until they are in a more final form. Molycorp is unable to proceed any further with the legal controls without knowing the identity of the enforcing party. Therefore, it appears that we will not receive substantive input from the locally affected communities until Molycorp is able to determine whether the DEP will serve as the enforcing governmental agency.

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THORP REED & ARMSTRONG

January 6, 2000

Your December 21, 1999 correspondence also requested the submission of a complete site characterization and associated remediation plan for all of the contaminants (radiological and non-radiological) at the site. With respect to the radiological contaminants, a complete site characterization was performed and was submitted to the NRC, and I understand that several copies were also provided to the DEP. The remediation plan for the radiological contaminants is the decommissioning plan which, as noted above, is still being drafted. Molycorp would be happy to provide the DEP with copies of all drafts of the decommissioning plan when they are submitted to the NRC.

With respect to the non-radiological contaminants at the site (i.e., coal tar), a groundwater characterization for both radiological and non-radiological contaminants was performed at the same time as the radiological site characterization. I understand that Molycorp has provided copies of the groundwater characterization report to the DEP. Molycorp believes that any further characterization and associated remediation should be performed by the parties responsible for the presence of the coal tar. In May 1999, Molycorp filed an action in the United States District for the Western District of Pennsylvania (Molycorp, Inc. v. American Premier Underwriters, Inc., et al., Civil Action No. 99-734), against the entities that Molycorp believes are responsible for the coal tar contamination. Molycorp provided the DEP with prior written notice of its planned action against the responsible parties in January 1999 and the DEP contacted Molycorp to offer assistance in pursuing the defendants. Molycorp would appreciate any assistance that the DEP can provide in pursuing the parties responsible for the coal tar contamination.

Molycorp appreciates the DEP's consideration of the proposed role as enforcing governmental agency in Molycorp's institutional controls. We look forward to hearing from you with respect to this matter.

Very truly yours,

Joseph R Brendel

Joseph R. Brendel

JRB/rsm

cc: Roy Person, NRC (via telecopy)
John F. Ashburn, Jr., Esquire (via telecopy)
Jim J. Dean (via telecopy)
George Dawes (via telecopy)
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Pennsylvania Department of Environmental Protection

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December 21, 1999

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Re: Molycorp, Inc.
Washington, Pa. Facility Decommissioning Project

Dear Mr. Brendel:

The Department has received your December 10, 1999 correspondence, in which you provided a document entitled "Proposed Institutional Controls for Molycorp, Inc. Washington Pennsylvania Facility Decommissioning Project."

We believe it is premature to assess the merits of Molycorp's proposal to locate the licensed radioactive materials permanently at the site by means of a conditioned license termination. The Department cannot begin to consider whether it would support the permanent placement of the licensed radioactive materials without a proper review of a complete decommissioning plan. This plan must include aspects such as cell design and the modeling of radiation doses to members of the general public, and should also include the appropriate modeling assumptions and (data) uncertainties. The Department also requires the input from (and, desirably, the acceptance by) locally affected communities before it will respond to Molycorp's proposal for specific institutional and legal controls over the repository or storage site. Since there are also known non-radiological contaminants present at this site (*e.g*, coal tar), a complete site characterization and associated remediation plan for all of the contaminants (radiological and non-radiological) should be submitted to the Department for its review/approval prior to consideration of any plan to terminate the radioactive material license under the provisions of 10 CFR 20.1403 (relating to criteria for license termination under restricted conditions).