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OFFICE OF SECRETARY
 RULEMAKINGS AND
 ADJUDICATIONS STAFF

April 26, 2001

Secretary
 U.S. Nuclear Regulatory Commission
 Washington, D.C. 20555-0001
 ATTN: Rulemakings and Adjudications Staff

Gentlemen:

Subject: Kennecott Uranium Company – Comments on the Proposed Revisions to 10 CFR Parts 170 and 171 on License, Inspection and Annual Fees for FY 2001

Kennecott Uranium Company is the operator and manager of the Sweetwater Uranium Project located in Sweetwater County, Wyoming and licensed under Source Material License SUA-1350. The Sweetwater Uranium Project contains a conventional uranium mill that is currently on standby and a tailings impoundment. Kennecott Uranium Company has the following comments on the *Proposed Revisions to 10 CFR Parts 170 and 171 on License, Inspection and Annual Fees for FY 2001*:

Annual Fee for Class I Facilities

Kennecott Uranium Company supports the proposed reduction in the Annual Fee for Class I facilities from \$132,000.00 per year (Fiscal Year 2000) to \$94,300.00 per year (Fiscal Year 2001). This is a positive step for the uranium recovery industry however it does not go far enough given the current state of the industry and its importance to the energy security of the United States. In addition, Kennecott Uranium Company supports the use of a quarterly billing schedule for Class I and Class II licenses.

Average Cost Per Professional Staff Hour

The average cost per professional staff hour has been proposed at \$144.00 per hour (Fiscal Year 2001 proposed – Nuclear Materials and Nuclear Waste Program) which is an increase from the level of \$143.00 per hour (Fiscal Year 2000). Kennecott Uranium Company does not support this increase because the hourly rate being charged per professional staff hour is already far in excess of the hourly rates per professional staff hour charged by major national consulting firms. In addition to the hourly charges, the Nuclear Regulatory Commission (NRC) also collects license fees. Consulting organizations can only collect hourly charges plus reimbursement for expenses. Thus, given the fact that the Nuclear Regulatory Commission (NRC) is collecting

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hourly charges above and beyond annual license fees, an hourly rate of \$144.00 per hour is not justified, and should be substantially reduced, not increased.

Project Manager Charges

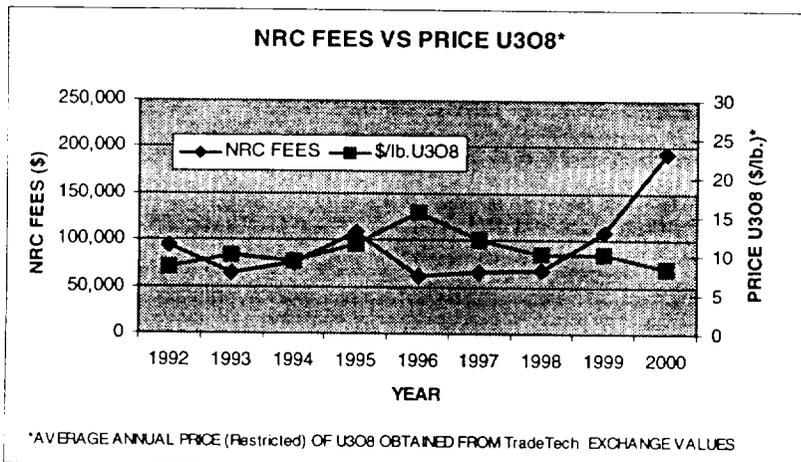
Beginning in Fiscal Year 2000, the Nuclear Regulatory Commission (NRC) began invoicing licensees for hourly charges for the licensees' Project Manager (PM), other than for work directly related to the license, such as training and general administrative work. In the case of a Project Manager (PM) who managed several licenses, these charges not directly related to license work were split among the licensees the Project Manager (PM) managed. These charges have become a significant additional expense that uranium recovery licensees, given the current state of the industry can ill afford. This problem is further exacerbated when a Project Manager (PM) "manages" only one licensee, with the result that the given licensee must pay all of the overhead costs associated with this individual. Kennecott Uranium Company supports the redesignation of Project Managers (PMs) assigned to uranium recovery licenses as Points of Contact (PC) to avoid these charges. At the very least, this change should be made for those licensees who are currently not operating.

Invoicing Procedures

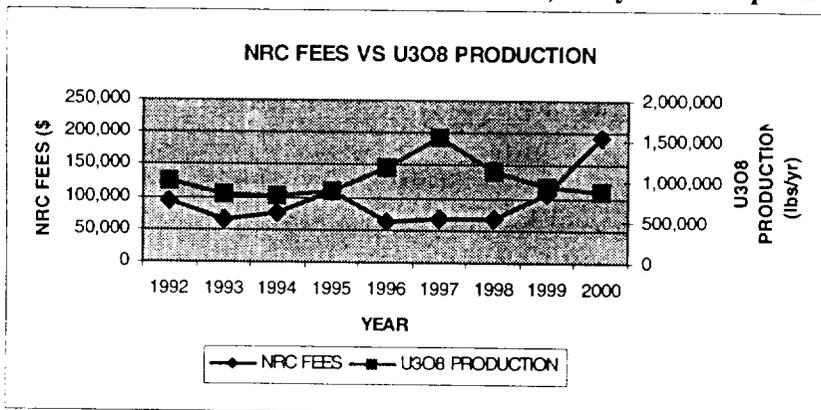
Kennecott Uranium Company believes that Nuclear Regulatory Commission (NRC) should continue its efforts to provide invoices that contain more meaningful descriptions of the work done by NRC staff and NRC Contractors. With hourly rates as high as \$144.00 per hour, the agency should be held to at least the same standard of accountability to its licensees as a private sector consultant is to his clients. In the private sector, adequate explanations and dates are provided to clients in order for clients to fully understand what was done and when it was done. This type of billing system allows costs to be specifically identified.

Status of the Uranium Recovery Industry

Uranium prices are low. The current price is \$8.25 per pound (Uranium Exchange (UX) – April 23, 2001). In spite of the depressed uranium prices fees charged to licensees have risen steadily since 1998 as shown in the chart below.



Note: Chart courtesy of the National Mining Association (NMA) and presented at a briefing of the Commissioners in Rockville, Maryland on April 10, 2001.



In addition, fees have increased steadily since 1998 in spite of declining production since 1997, as shown in the chart below.

Note: Chart courtesy of the National Mining Association (NMA) and presented at a briefing of the Commissioners in Rockville, Maryland on April 10, 2001.

The issue of fees was discussed in depth at the Commissioner's briefing provided by the National Mining Association (NMA) in Rockville, Maryland on April 10, 2001. At this briefing, the potential for regulatory relief from fees through a petition for rule making and/or legislative relief from fees in the form of a suspension of fees pending an improvement in the uranium market was discussed. Kennecott Uranium Company would support an industry wide effort through the National Mining Association (NMA) or other organization to obtain some form of relief from licensee fees.

The uranium recovery industry is vital to the long term energy security of the United States especially given the recent renewed consideration of the nuclear option by utilities. Senate File 472 - A Bill to ensure that nuclear energy continues to contribute to the supply of electricity in

the United States raises this issue stating, "... the United States must ensure that the domestic uranium mining, conversion and enrichment service industries remain viable." The fees levied against uranium recovery licensees threaten the viability of this vital industry. Licensees need relief from fees in order to survive to the time when the industry as a whole recovers.

Conclusions

Kennecott Uranium Company supports the reduction in licensee fees proposed by the Nuclear Regulatory Commission (NRC) but does not believe that the reduction goes far enough in providing the relief required by the industry in order to survive. The uranium recovery industry is vital to the energy security of the United States given the increased interest in nuclear power expressed by some utilities. The industry should not be driven to extinction by excessive fees. Kennecott Uranium Company believes that the hourly rate charged by the agency is excessive and greatly exceeds the rates charged by major national consulting firms. The rate should be substantially reduced, not increased. In addition, Kennecott Uranium Company believes that the Project Manager (PM) charges invoiced by the agency have become an increasing burden on the industry and are especially unfair to those licensees who have a Project Manager (PM) assigned solely to them. Kennecott Uranium Company believes that current Project Managers (PMs) should be redesignated as Points of Contact (PCs), for at least some (inactive or standby) licensees, with a savings in Project Manager (PM) charges for those licensees. Kennecott Uranium Company believes that the agency should continue its efforts to produce invoices containing more meaningful descriptions of work performed.

If you have any questions please do not hesitate to contact me.

Sincerely yours,

Oscar Paulson
Facility Supervisor

cc: Katie Sweeney – National Mining Association (NMA)
Marion Loomis – Wyoming Mining Association (WMA)
Rich Atkinson – Kennecott Energy Company