

July 29, 2005

Mr. Oscar Paulson
Sweetwater Uranium Facility
Kennecott Uranium Company
P.O. Box 1500
Rawlins, WY 82301-1500

SUBJECT: 2005 ANNUAL SURETY UPDATE FOR THE KENNECOTT URANIUM COMPANY
SWEETWATER URANIUM PROJECT, AMENDMENT NO. 23 TO SOURCE
MATERIALS LICENSE SUA-1350 (TAC LU0102)

Dear Mr. Paulson:

By letter dated July 13, 2005, Kennecott Uranium Company (KUC) submitted its annual financial surety update for the Sweetwater Uranium Project, as required by 10 CFR 40, Appendix A, Criteria 9 and 10, and License Condition 9.7 of KUC's Source Materials License SUA-1350. The proposed new surety for the Sweetwater Uranium Project is \$8,012,000, and is based on the inflationary adjustment of the existing surety (\$7,793,000) that was approved by U.S. Nuclear Regulatory Commission (NRC) staff on November 10, 2004. NRC staff notes that the existing surety (\$7,793,000) was based on rebaseline of decommissioning and reclamation costs, submitted as part of a license renewal application dated May 12, 2004, and revised September 14, 2004.

The proposed new surety (\$8,012,000) was derived from an adjustment of the existing surety by an inflation factor of 2.80 percent for the period May 2004 through May 2005. NRC staff has determined that an inflation factor of 2.80 percent is appropriate for the time period of interest. Accordingly, the staff concludes that the proposed new surety for the Sweetwater Uranium Project is reasonably derived and acceptable for the annual period of its applicability.

Based on the staff's review as noted above, Source Materials License SUA-1350 is amended by revising License Condition 9.7 to indicate the Sweetwater Uranium Project's currently approved surety shall be continuously maintained in an amount no less than \$8,012,000 until a replacement is authorized by the NRC. The aforementioned modification to License Condition 9.7 is provided as Amendment No. 23 to Source Materials License SUA-1350 (Enclosure). All other conditions of the license shall remain the same. An environmental review was not performed since this action is categorically excluded under 10 CFR 51.22(c)(10).

If you have any questions regarding this letter, please contact Stephen J. Cohen, the Project Manager for the KUC Sweetwater Uranium Project, at (301) 415-7182 or by e-mail to sjc7@nrc.gov.

In accordance with 10 CFR 2.390 of the NRC's "Rules of Practice," a copy of this letter will be available electronically for public inspection in the NRC Public Document Room or from the Publicly Available Records (PARS) component of NRC's document system (ADAMS). ADAMS is accessible from the NRC Web site at <http://www.nrc.gov/NRC/reading-rm/adams.html>.

Sincerely,

/RA/

Gary S. Janosko, Chief
Fuel Cycle Facilities Branch
Division of Fuel Cycle Safety
and Safeguards
Office of Nuclear Material Safety
and Safeguards

Docket No.: 40-8584
License No.: SUA-1350

Enclosure: Amendment No. 23

cc: R. Atkinson, Kennecott
R. Chancellor, Wyoming DEQ

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Sincerely,

/RA/

Gary S. Janosko, Chief
 Fuel Cycle Facilities Branch
 Division of Fuel Cycle Safety
 and Safeguards
 Office of Nuclear Material Safety
 and Safeguards

Docket No.: 40-8584
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cc: R. Atkinson, Kennecott
 R. Chancellor, Wyoming DEQ

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