

September 25, 2006

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

SUBJECT: FIVE-YEAR POSTPONEMENT OF INITIATION OF DECOMMISSIONING,
KENNECOTT URANIUM COMPANY, SWEETWATER URANIUM PROJECT,
SOURCE MATERIALS LICENSE SUA-1350 (TAC LU0139)

By letter dated June 7, 2006, Kennecott Uranium Company (KUC) submitted, to U.S. Nuclear Regulatory Commission (NRC) staff, a request for a five-year postponement of the implementation of the requirements of Timeliness in Decommissioning (10 CFR 40.42(d)) for the Sweetwater uranium mill licensed under Source Materials License SUA-1350. KUC placed the Sweetwater mill on standby status in April 1983 before the Timeliness in Decommissioning Rule became effective in 1994. After a request by KUC, the NRC granted the first five-year postponement of decommissioning, by letter dated June 18, 1996. By letter dated July 7, 2001, NRC staff granted a second, five-year postponement of decommissioning.

NRC staff has reviewed KUC's June 7, 2006 postponement request and has determined that a third five-year postponement should be granted, as allowed by 10 CFR 40.42(f). In its review, NRC staff determined that this postponement is not detrimental to public health and the environment and is in the public interest, as discussed below. Furthermore, a letter from NRC staff to the National Mining Association dated February 16, 1996, stated that there is no limit to the number of extensions that can be granted.

1. Record of regulatory compliance.

During standby operations, the facility has a record of regulatory compliance with all applicable State and Federal regulations including those of the NRC and Wyoming Department of Environmental Quality. NRC staff's July 17, 2001 postponement indicated that no violations were noted between 1991 and 2001. During this current review, NRC staff did not find any violations between 2001 and 2006. Furthermore, KUC has been actively reclaiming ground water and soils contaminated with radionuclides and organic compounds.

2. Public health and safety protected.

The site has been and is maintained in a manner that public health and the environment are protected. The facility has a record of safe operation for both employees and the general public during standby operations, with low radiation doses to employees, excellent safety record, and good facility conditions. A review of environmental monitoring data, including the most recent August 22, 2006 10 CFR 40.65 report, indicates that doses to members of the public is generally zero mrem. Furthermore, radon and particulate emissions are generally at background levels.

3. Sweetwater mill is likely to resume operations.

Maintaining the standby status of the Sweetwater mill is in the public interest, because it is the only conventional mill in Wyoming and only one of four conventional mills in the United States. Furthermore, the uranium market has been improving, as the price increased more than seven-fold from December 2000 through the present (see The Ux Consulting Company, LLC website at http://www.uxc.com/review/uxc_Prices.aspx). Therefore, market conditions are sufficiently improving to the point where conventional milling would become profitable. As evidence of these improved conditions, KUC's parent company, Rio Tinto Energy America, has entered into an agreement with SXR Uranium One, Inc. (Uranium One) to sell the Sweetwater mill. Uranium One intends to operate the Sweetwater mill beginning in 2007.

4. Adequate surety in place.

The documents submitted by KUC on July 12, 2006, indicate a surety in the amount of \$8,349,000, and this required amount was incorporated into the license by the NRC letter of September 20, 2006. The facility's license also indicates that the surety amount must be increased annually, based on the inflation rate, and must be increased before KUC constructs any new structures (ponds, buildings).

If you have any questions regarding this letter, please contact me 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 Agencywide Documents Access and Management System (ADAMS). ADAMS is accessible from the NRC Web site at <http://www.nrc.gov/reading-rm/adams.html> (the Public Electronic Reading Room).

Sincerely,

/RA/

Stephen J. Cohen, Project Manager
Uranium Processing Section
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

cc: J. Wagner, WDEQ
M. Thiesse, WDEQ

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Sincerely,

/RA/
Stephen J. Cohen, Project Manager
Uranium Processing Section
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
cc: J. Wagner, WDEQ
M. Thiesse, WDEQ

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