

March 6, 2007

Mr. John McCarthy  
Power Resources, Inc.  
Smith Ranch-Highland Uranium Project  
P.O. Box 1210  
Glenrock, WY 82637

SUBJECT: REJECTION OF REVISED POWER RESOURCES, INC.'S SURETY  
ESTIMATES - SOURCE MATERIAL LICENSE SUA-1548 (TAC J00514)

Dear Mr. McCarthy:

On September 26, 2006, the U.S. Nuclear Regulatory Commission (NRC) requested that Power Resources, Inc. (PRI) perform a re-baselining of its existing 2006 Annual Source Material License SUA-1548 surety estimates. PRI's previous surety estimates had been developed based on 1998 dollars and had been adjusted annually for inflation, using a Consumer Price Index (CPI) escalator. In response to the NRC request, PRI submitted revised surety estimates on January 11, 2007. PRI's revised Source Material License SUA-1548 surety estimates include the Smith Ranch, Highland, Reynolds Ranch, Gas Hills, North Butte and Ruth sites.

The NRC staff has initiated its acceptance review of PRI's January 11, 2007 revised 2006 surety estimates and has found the submittal deficient due to lack of supporting documentation. In a re-baselining effort, all baseline costs are reevaluated. Documentation to support all the baseline costs (i.e., those that increase, decrease, or stay the same) is necessary to establish the validity of the analysis. No documentation in support of the baseline costs has been provided. Furthermore, no basis or explanation has been provided for several apparent changes in previously approved decommissioning/restoration related assumptions. Documentation for all the baseline costs, as well as the basis for any changes in decommissioning/restoration assumptions, is necessary to properly evaluate the accuracy of the revised surety estimate. As a result, the NRC is rejecting PRI's re-baselined surety submittal. The NRC shall re-initiate its acceptance review upon receipt of the requested documentation. The NRC's comments related to appropriate re-baselining documentation are provided below. Please note that the Source Material License SUA-1548 sureties should remain at the values stated in License Condition 9.5 of Amendment #11 until the re-baselined surety estimates have been reviewed and approved by the NRC.

Staff has provided the following comments:

1. Please provide a documented basis for all baseline costs present on the following worksheets: Reverse Osmosis, Chemical Reductant, Deep Well Injection, Well Abandonment, Mechanical Integrity Testing, Main Pipeline Removal, Wellfield Piping, Wellfield Road Reclamation, Byproduct Material Transportation & Disposal, and Disking/Seeding. In addition, several baseline worksheets still appear to contain outdated references/costs. For example, on the Smith Ranch surety estimate, the Reverse Osmosis worksheet references "1998 operating costs," the Chemical Reductant

worksheet references "2003-2004 operating costs," and Byproducts Material Transportation and Disposal worksheet references "2001-2002 contracted costs." On the Highland surety estimate, the Radium Treatment worksheet references "1998 operating costs." All baseline costs should reflect 2006 values.

2. Please identify and provide a technical basis for any changes that result in either an elimination of a line item or a change in previously approved amounts/frequencies of an item on the following worksheets: Ground Water Restoration, Equipment Removal and Loading, Building Demolition and Disposal, Wellfield Buildings and Equipment Removal and Disposal, Well Abandonment, Wellfield and Satellite Surface Reclamation, and Miscellaneous Reclamation. For example, on the Smith Ranch Ground Water Restoration worksheet, costs previously associated with Elution (Elution Processing and Deep Well Injection) were eliminated from the revised surety estimates without providing a basis or rationale. On the same spreadsheet, pore volumes associated with reverse osmosis costs have been reduced from five to four and flare factors for three mine units have been changed from 1.7 to 1.5 without providing an explanation for the change. On the Smith Ranch Equipment Removal and Loading worksheet, PVC/steel pipe removal labor activity has increased from 200 feet/day to 300 feet/day without providing a basis or rationale.

Please provide the requested documentation and bases within 30 days of the date of this letter. If you have any questions concerning this letter, please contact me, either by telephone at 301-415-7612 or, by e-mail, at [pxm2@nrc.gov](mailto:pxm2@nrc.gov).

In accordance with 10 CFR 2.390 of the NRC's "Rules of Practice for Domestic Licensing Proceedings and Issuance of Orders," a copy of this letter will be available electronically for public inspection in the NRC Public Document Room or from the Publically Available Records component of the 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>.

Sincerely,

**/RA/**

Paul Michalak, Hydrogeologist  
Uranium Recovery Licensing Branch  
Decommissioning and Uranium Recovery  
Licensing Directorate  
Division of Waste Management  
and Environmental Protection  
Office of Federal and State Materials  
and Environmental Management Programs

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License No.: SUA-1548

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Sincerely,  
/RA/

Paul Michalak, Hydrogeologist  
Uranium Recovery Licensing Branch  
Decommissioning and Uranium Recovery  
Licensing Directorate  
Division of Waste Management  
and Environmental Protection  
Office of Federal and State Materials  
and Environmental Management Programs

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