



23 July 2008

Mr. Keith McConnell, Deputy Director
Decommissioning and Uranium Recovery Licensing Directorate
U.S. Nuclear Regulatory Commission
Mail Stop T-7E18
Washington, DC 20555-0001

Dear Mr. McConnell:

**Subject: Docket Number 040-08584 - Source Materials License SUA-1350
License Condition 9.7 - Surety Submittal**

Enclosed please find Kennecott Uranium Company's annual surety update required by License Condition 9.7, which is due on or before July 30 of each year, pursuant to License Condition 9.7.

The new proposed bond amount is \$8,944,000.00. This amount is based upon an adjustment for inflation according to the Consumer Price Index (CPI) for All Urban Consumers of the surety amount stated in License Condition 9.7 of SUA-1350. The facility remains on standby. Its operational status has not changed since the previous surety submittal dated July 19, 2007. In addition, the facility's operating status has not changed since the May 25, 2004 surety submittal included in the Request for a Ten (10) Year License Renewal, which updated/rebaselined the surety based upon current costs and decommissioning and reclamation requirements.

The current approved surety amount of \$8,575,000.00 is only being increased in accordance with the Consumer Price Index (CPI) for All Urban Consumers. The following values are being utilized to revise the surety amount:

Consumer Price Index (CPI) for All Urban Consumers

May 2007	207.949
May 2008	216.632

The following is the revision calculation:

$$(216.632 - 207.949) / 207.949 = 0.043 \times 100\% = 4.3\%$$
$$(8,575,000) \times (1.043) = \mathbf{\$8,943,725}$$

The above value rounded up to the nearest thousand dollars results in a new proposed surety amount of \$8,944,000.00.

Kennecott Uranium Company understands that the existing Letter of Credit (██████████) will expire on October 1, 2008 as per the letter dated April 24, 2008 from Wachovia Bank. Kennecott Uranium Company will replace this surety instrument prior to the October 1, 2008 expiration date.

The surety is due for five (5) year rebaselining in 2009. At that time Kennecott Uranium Company may also revise the surety to reflect regrading work being completed in the tailings impoundment and completion of the contaminated soil excavation around the Catchment Basin, following review of the completion report by Commission staff.

Attached to this letter please find a copy of the "Consumer Price Index – All Urban Consumers". If you have any questions please do not hesitate to contact me.

Sincerely yours,



Oscar Paulson
Facility Supervisor

cc: Stephen Cohen (2 copies)
Director, DMSS, Region IV
Darryl Maunder
Jack Welch

Consumer Price Index - All Urban Consumers

Series Id: CUUR0000SA0
 Not Seasonally Adjusted
 Area: U.S. city average
 Item: All items
 Base Period: 1982-84=100

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual	HALF1	HALF2
1998	161.6	161.9	162.2	162.5	162.8	163.0	163.2	163.4	163.6	164.0	164.0	163.9	163.0	162.3	163.7
1999	164.3	164.5	165.0	166.2	166.2	166.2	166.7	167.1	167.9	168.2	168.3	168.3	166.6	165.4	167.8
2000	168.8	169.8	171.2	171.3	171.5	172.4	172.8	172.8	173.7	174.0	174.1	174.0	172.2	170.8	173.6
2001	175.1	175.8	176.2	176.9	177.7	178.0	177.5	177.5	178.3	177.7	177.4	176.7	177.1	176.6	177.5
2002	177.1	177.8	178.8	179.8	179.8	179.9	180.1	180.7	181.0	181.3	181.3	180.9	179.9	178.9	180.9
2003	181.7	183.1	184.2	183.8	183.5	183.7	183.9	184.6	185.2	185.0	184.5	184.3	184.0	183.3	184.6
2004	185.2	186.2	187.4	188.0	189.1	189.7	189.4	189.5	189.9	190.9	191.0	190.3	188.9	187.6	190.2
2005	190.7	191.8	193.3	194.6	194.4	194.5	195.4	196.4	198.8	199.2	197.6	196.8	195.3	193.2	197.4
2006	198.3	198.7	199.8	201.5	202.5	202.9	203.5	203.9	202.9	201.8	201.5	201.8	201.6	200.6	202.6
2007	202.416	203.499	205.352	206.686	207.949	208.352	208.299	207.917	208.490	208.936	210.177	210.036	207.342	205.709	208.976
2008	211.080	211.693	213.528	214.823	216.632										