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October 11, 2012

ATTN: Document Control Desk
Nuclear Regulatory Commission
Washington DC, 20555-10001

CERTIFIED MAIL #7011 0470 0001 0202 0784 RETURN RECEIPT REQUEST

RE: REPLY TO A NOTICE OF VIOLATION
Inspection Report 040-08964/12-002

Please find below Power Resource's Inc. reply to the Notice of Violation issued by the Nuclear Regulatory Commission (NRC) to Cameco on September 14, 2012. This response is being provided in accordance with 10 CFR 2.201.

"During an NRC inspection conducted on August 7-9, 2012, one violation of NRC requirements was identified. In accordance with the NRC Enforcement Policy, the violation is listed below:

10 CFR 71.5(a) requires that a licensee who transports licensed material outside of the site of usage, as specified in the NRC license, or where transport is on public highways, or who delivers licensed material to a carrier for transport, comply with the applicable requirements of the regulations appropriate to the mode of transport of the Department of Transportation in 49 CFR Parts 170 through 189.

49 CFR 173.427(b)(1) states, in part, that low specific activity (LSA) material must be packaged, at a minimum, in an industrial package, subject to Table 6.

49 CFR 173.427, Table 6, states, in part, that solid LSA-1 material, in an exclusive use shipment, must be shipped in an industrial packaging type IP-1.

49 CFR 173.411(b)(1) starts, in part, that each IP-1 package must meet the general design requirements prescribed in 49 CFR 173.410.

49 CFR 173.410(f) states, in part, that the package will be capable of withstanding the effects of any acceleration, vibration, or vibration resonance that may arise under normal conditions of transport without any deterioration in the integrity of the package as a whole.

Contrary to the above, on July 13, 2012, a package that the licensee had prepared for shipment split during transport, from the top of the container down a seam on the driver's side rear corner. This break in the package during transport deteriorated the integrity of the package as a

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whole. This LSA package contained an empty, used yellowcake dryer that was being shipped to a waste disposal facility.

This is a Severity Level IV violation (Section 6.8)."

Reason for Violation

The Smith Ranch Highland HUP (Highland Uranium Project) is currently undergoing refurbishment to be used as an updated processing facility for natural uranium. As part of the refurbishment, removal and disposal of the calciner dryer was required to update the facility.

Before removal from the facility, the remaining product inside the calciner was removed and transferred to the Smith Ranch facility for processing. After removal of the product the calciner was washed inside and each hearth was filled with high density foam to stabilize the internal components and to encapsulate any remaining surface contamination. The ports were sealed, and the exterior washed thoroughly and surveyed for removable contamination. The removable contamination results ranged from 6-89 counts per minute (cpm) after cleaning. The exterior was then painted to affix any remaining surface contamination.

A steel sea container was purchased for the transportation of the calciner, due to the diameter of the calciner the container was purchased from Aleco who removed the lid to accommodate the calciner. The container was prepared for the load by placing 8"x 8" wood blocks braced with 2"x 4"s to provide sufficient spacing to prevent the calciner from shifting and resting on the floor of the container.

On July12, 2012 the dryer was safely lifted from the building and placed into the steel sea container for shipping. The top of the container was covered with two tarps secured with bungee cords and the load was secured with two straps, each rated for 12,000 lbs, from the trailer bed over the top to the opposite side. The container was also chained from the four corners to the trailer bed and ratcheted tight. A radiological survey was performed to release the load from the site. The driver left the site and proceeded to Casper Wyoming where he spent the night.

The next day, the driver proceeded to the Casper weigh station at approximately 7:30 a.m. to obtain a permit for an overweight/oversized load. He then continued on to Rawlins, Wyoming, where he stopped at around 11:30 for fuel and to check the load. No issues were identified by the driver. The next stop was in Cable, Colorado, where the driver noticed that it appeared that the load had shifted slightly and the driver's side of the container was slightly bulged. He felt the load was still secure and proceeded to Grand Junction, Colorado, where he stopped for the night at a truck stop. Upon inspecting the load that night, he noticed that the sea container was split from the top of the container, down a seam for a length of approximately one foot. This split was located on the driver's side rear corner. Further inspection revealed that the load had shifted inside of the packaging and the calciner was contacting the side of the sea container.

The driver contacted his supervisor at approximately 9:30 p.m., who instructed him to stay with the load and wait for further instruction. The following morning, the driver was instructed to call

the 24 hour emergency number listed on the shipping papers. Cameco Resources personnel became aware of the incident on the morning of July 14, 2012 at approximately 11:00 a.m. The Corporate Radiation Safety Officer and the Radiation Safety Officer arrived on the scene around 8:00 p.m. that same day. The container was surveyed and the readings indicated that there was no release of contamination from the container. Regulatory reporting was performed the following morning.

A Cameco Resources engineer responded to the site the following day to design a plan to secure the load for final transport to the disposal facility. He devised a plan to apply metal bands around and over the package. A contractor welded the bands in place and the load continued safely on, arriving at the disposal facility at 12:30 p.m. on July 17, 2012.

Corrective Actions

The calciner was the first overweight and oversized shipment of 11e.(2) material originating from the Smith Ranch Highland. Cameco recognizes that the use of a different container requires appropriate evaluation to identify risks and regulatory requirements prior to shipment. Therefore, the Standard Operating Procedures for shipping non-routine 11e.(2) material will be updated to reflect the requirement of consulting with the Cameco Director of Transportation prior to shipping any non-routine shipments of 11e.(2).

In addition, Smith Ranch Highland is in the process of replacing the vacuum dryers at the Smith Ranch Central Processing Plant. It is recognized that the size and general arrangement of the HUP dryer in the container contributed to the container being compromised. Lessons learned from the incident were applied for the shipment of Dryer B to the disposal facility. Rather than transport the Dryer in one piece the unit was cut into small manageable pieces and placed in containers Cameco has utilized for many years, steel IP-1 containers with built on lids. These containers have worked well without failures and will continue to be used for future shipments.

Date of full compliance

The Standard Operating procedure has been updated and is pending final review by site staff, achieving full compliance by November 1, 2012.

Sincerely,

Brent Berg
General Manager

BB/af

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SR 4.6.4.1
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