



Uranerz Energy Corporation
(an Energy Fuels Company)
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February 15, 2016

Mr. Scott Moore
(Acting) Director, Office of Nuclear Material Safety and Safeguards
U.S Nuclear Regulatory Commission
Mail Stop: 16 E15
Washington, DC 20555-0001

Re: Uranerz Energy Corporation, Nichols Ranch ISR Project License SUA-1597, Docket 04009067
NRC Invoice LFB 16-1815

Dear Mr. Moore,

On January 29, 2016, we received the NRC invoice for Uranerz Energy Corporation, an Energy Fuels Company ("Uranerz"), for dates of service 9/21/2015 through 12/26/2015. Uranerz is an NRC licensee that is in operations at the Nichols Ranch ISR Project. We are in the process of amending our license to include the Jane Dough Amendment area in Campbell and Johnson Counties, Wyoming.

In May 2014, Uranerz submitted a request to amend the above-referenced source material license to incorporate the Jane Dough Amendment area. The Nichols Ranch ISR Project is currently licensed and operating, and the Jane Dough Amendment area is an extension of the currently operating uranium ore body on an adjacent property controlled by Uranerz. From May 2014 to the receipt by letter of the completion of the acceptance review of the amendment request on August 10, 2015, NRC conducted significant technical review, including requests for additional information and the submittal of significant technical data by Uranerz to NRC. During that fifteen (15) month process, NRC billed Uranerz \$522,483.83 in Part 170 fees to reach a point that the amendment request was accepted for review. It was our understanding from NRC that with the additional work and data submitted by Uranerz that further technical review timelines and costs would be minimized.

Since the acceptance review was completed, Uranerz was billed an additional \$185,533.17 in Part 170 fees for Environmental and Technical review work on the Jane Dough Amendment for the third quarter 2015. The \$351,603.57 invoice dated January 29, 2016 indicated that \$332,603.57 was for work on the Jane Dough Amendment. Uranerz received the first Request for Additional Information on the Jane Dough Amendment the same day. To date, Uranerz has already paid \$1,040,276.57 in Part 170 fees for work on the Jane Dough Amendment, and the Jane Dough Amendment is not yet completed. To put this in context, the total amount paid by Uranerz for the entirety of the original license, which includes a full processing plant, was \$2,489,488, and at the NMA Uranium Workshop held in June 2015, Andrew Persinko, the former Deputy Director of the Division of Decommissioning and Uranium Recovery, stated in a



presentation that the average cost for Part 170 fees for a new Uranium Recovery license is \$2,700,000. At the rate of billing for the Jane Dough amendment to SUA-1597 we are currently seeing, it appears that we could very easily end up paying more in Part 170 fees than we paid for the original source material license.

Lack of detail in invoicing

Reviewing the 4th Quarter 2015 invoice, only general descriptions are provided. No detail as to the individual services or work performed were included. When managing third party professional services, whether legal, financial, technical, or engineering, it is customary for billing information to be provided in sufficient detail to demonstrate accountability to the client. Therefore, it is not unreasonable that a more detailed explanation of the costs in performing work be included with NRC invoices.

On February 4, 2016, in a telephone conversation with the NRC Project Manager responsible for review of the Jane Dough Amendment technical report, the schedule of review and billings was discussed. During that call, it was plainly evident that the Project Manager was not aware of and accountable for a significant portion of the hours charged during the quarter. That raised concerns as to what is being charged, and who is accountable for these charges. Consequently, we respectfully request a more detailed accounting of the 4th Quarter Part 170 fees for all of the work charged to the invoice.

Uncertain scope of contractor tasks

To best utilize resources within NRC, there is often a need to utilize contractors to expedite review and provide additional technical expertise. As a licensee, Uranerz was unaware that a contractor was being utilized for environmental review work until the charges were presented on the invoice for the Part 170 fees. As a licensee that is financially responsible for the cost recovery of this work, having an understanding of the scope of work can provide some certainty to the desired outcomes and cost expectations for the work provided by the third party.

We therefore respectfully request a description of the scope of work for any contractor that is engaged on behalf of NRC for Source Material License SUA-1597.

Inability to predict Part 170 fees and budget accordingly

Needless to say, the \$351,603.57 4th Quarter 2015 Part 170 fee invoice was a surprise to Uranerz as it is higher than any invoice received by Uranerz in recent history. The uranium markets are characterized by continued low spot prices, and as a result, there is intense competition within limited budgets for cash and capital. As a prudent uranium production company, we focus on maintaining budgets to assure the economic viability of our operations. Currently, there is no way to budget effectively for Part 170 fees, and that creates a real challenge to predict cash flows or work progress.



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In my experience with a previous employer, NRC and the licensee set up regular calls to discuss current work progress and anticipated work activities. Such calls with the NRC project manager, and sometimes with the Uranium Recovery Branch management, created opportunities for the licensee and NRC staff to coordinate work and reduce surprises. With the anticipated Section 106 of the National Historic Preservation Act consultation work that will be performed as a portion of the NEPA review of the Jane Dough Amendment, the need for more effective coordination will have increased importance.

While recognizing that regulatory costs in this industry can be high, the Jane Dough Amendment costs have become completely unpredictable to the point of jeopardizing the project financially. The result of these costs is a situation threatening any company trying to function in today's NRC-regulated environment, and if not properly contained, may delay regulatory progress on this and similar projects until such time as Wyoming becomes an agreement state.

Sincerely,

A handwritten signature in black ink, appearing to read 'W. P. Goranson'.

William P. Goranson, P.E.
Executive Vice President ISR Operations
Uranerz Energy Corporation (an Energy Fuels Company)

CC: Maureen Wylie; Chief Financial Officer, U.S. NRC
William von Till; Branch Chief, Division of Decommissioning, Uranium Recovery,
and Waste Programs.

WG/dk