



UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D. C. 20555-0001

August 2, 1995

MEMORANDUM TO: Joseph J. Holonich, Chief
HLUR/DWM/NMSS

FROM: Michael J. Bell, Chief *R. Walker for*
ENGB/DWM/NMSS

SUBJECT: SURETY REVIEW FOR WHITE MESA
(DOCKET 40-8681, LICENSE SUA-1358)

As requested by Charlotte Abrams, Project Manager (HLUR), we have reviewed the engineering aspects of the June 23, 1995, surety estimate for Energy Fuels Inc.'s (EFN) White Mesa facility. The current surety estimate revises an earlier estimate dated May 15, 1995. ENGB reviewed the May 15, 1995, surety estimate and provided comments in a note dated May 31, 1995. Significant items of concern identified in that review included equipment fuel costs and rock unit costs.

In the June 23, 1995, surety estimate, EFN included equipment fuel costs and provided a breakdown of rock production and placement costs. Another significant change was a decrease in the labor rate that was based on the Department of Energy's (DOE) Request for Proposal (RFP) for the Monticello Remedial Action Project. EFN proposes a surety amount of \$11,138,029.

Based on our review of the current estimate and our observations from a recent site visit, ENGB concludes the surety amount is underestimated. The following comments are the basis for our conclusion regarding the sufficiency of the surety:

- 1) ENGB finds that the equipment fuel costs have been satisfactorily incorporated, except that fuel and operating costs for the cranes used in decommissioning are not included.
- 2) The licensee estimated the rock unit cost assuming quarrying from Westwater Creek and a daily production of 300 cy/day. The production quantity of rock inappropriately assumed no wastage. Anecdotal evidence derived from a conversation with another licensee quarrying and producing rock on-site, suggests that wastage could be significant. The unit rock cost is, therefore, considered to be inappropriate. Further, it should be noted that the rock source has not been approved by NRC. If the rock from this source is of marginal quality, another rock source, oversizing or overthickening may be required.

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- 3) In the May 15, 1995, surety estimate, the licensee used a labor rate of \$19.27. Referencing a Department of Labor (DOL) estimate in the referenced DOE RFP, the licensee proposes to decrease the labor rate to \$12.10. From conversations with Steve Johnson of Rust Geotech Inc. (DOE's consultant), the DOL wage represents the minimum wage acceptable in the Monticello bid calculations.

To obtain the \$12.10 value, the licensee used the DOL wage of \$11.00 and increased this wage by 10 percent for FICA and Workmen's Compensation Insurance. Based on Means Construction Cost Data 1994 (Means), ENGB considers the FICA and Workmen's Compensation Insurance to be underestimated. Furthermore, the licensee did not consider federal and state unemployment, and medicare taxes. The Means published hourly labor rate for equipment operators is \$24.35. Based on the above, ENGB considers the decrease in labor rate to be inappropriate.

- 4) In addition to the items noted above, ENGB finds that other costs were not included in the surety estimate. These costs include the following: a) seeding for the ore pad; b) reclamation and seeding for the stockpile areas; c) approximately 3300 cubic yards of rip rap; and d) filter and bedding materials beneath the rip rap. In addition, the quantity and cost of ditch construction appears to be insufficient.

EFN's 1988 reclamation plan has not been reviewed by the NRC and we understand EFN intends to submit a revised reclamation plan. Without an approved reclamation plan, it is not possible for ENGB to determine with confidence the sufficiency of the 11.1 million dollar surety. However, based on the above concerns, ENGB estimates that the surety is underestimated by approximately 1.5 million dollars. ENGB recommends that the surety estimate be revised as part of the reclamation plan approval process.

This review was performed by Tim Harris, who may be contacted at (301) 415-6613.

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