



UNITED STATES
NUCLEAR REGULATORY COMMISSION

REGION IV
URANIUM RECOVERY FIELD OFFICE
BOX 26326
DENVER, COLORADO 80226

JUL 17 1990

URFO:PWM
Docket No. 40-8681
SUA-1358, Amendment No. 21
04008681310R

MEMORANDUM FOR: Docket File No. 40-8681
FROM: Paul W. Michaud
Project Manager
SUBJECT: ANNUAL REVIEW OF UMETCO - WHITE MESA SURETY

Background

The NRC approved the previous surety amount of \$4,576,985 on March 21, 1988, specifying June 4 as the anniversary date for each successive year. Umetco's next submittal was therefore due by March 4, 1989, in accordance with License Condition No. 20.

An NRC inspection conducted in August, 1989, disclosed the fact that no annual surety update had been submitted to the NRC as required. This was documented in NRC Inspection Report 40-8681/89-02, along with a Notice of Violation. In response to this Notice of Violation, Umetco submitted a revised surety estimate on October 6, 1989. The staff noted the proximity of that submittal to the March 4, 1990, date when the next annual submittal was due, and informed Umetco that the NRC would wait until the 1990 annual submittal was received before reviewing the surety amounts.

On February 13, 1990, Umetco submitted their annual surety update to the NRC. During a review of these submittals, the staff determined there were several items which required clarification or revision. These items were provided to Umetco in a letter dated June 5, 1990. Umetco responded to the requests in a letter to the NRC dated June 25, 1990.

Discussion

Umetco's response to the NRC concerns expressed in the June 5, 1990, letter was prompt and complete. The items addressed were the use of corrected inflation factors for the years 1988 and 1989, no reduction in bond amounts for partial completion of a reclamation phase, and the inclusion of costs for decommissioning the Velvet Mine IX facilities.

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A cost estimate was provided for the decommissioning of the licensed Velvet Mine IX facilities which included only the piping, pump, and ion exchange column, as well as associated disposal, sampling, and monitoring. The staff agrees that the ponds and other equipment are mine equipment and not part of the licensed activity.

Umetco added \$465,000 to the correctly inflated surety amount for the Criterion 10 long-term surveillance fee. The staff noted that the long-term surveillance fee was already included in the previous bond amount. Increasing that amount to account for the effects of inflation satisfied the requirements of Criterion 10 and therefore the additional \$465,000 was not necessary. This was discussed with Mr. John Hamrick on July 13, 1990, who agreed this was an error. The revised surety amount is therefore calculated to be \$5,004,337.

Conclusion

The staff agrees with the information and calculations submitted by Umetco. A revised bond amount of \$5,004,337 is sufficient to meet the requirements of 10 CFR 40, Appendix A, Criteria 9 and 10. The staff therefore recommends that License Condition No. 20 of Source Material License SUA-1358 be modified to read as follows:

20. The licensee shall maintain an NRC-approved financial surety arrangement, consistent with 10 CFR 40, Appendix A, Criteria 9 and 10, adequate to cover the estimated costs, if accomplished by a third party, for decommissioning and decontamination of the mill and mill site, for reclamation of any tailings or waste disposal areas, ground water restoration as warranted and the long-term surveillance fee. Within three (3) months of NRC approval of a revised reclamation/decommissioning plan, the licensee shall submit, for NRC review and approval, a proposed revision to the financial surety arrangement if estimated costs in the newly approved plan exceed the amount covered in the existing financial surety. The revised surety shall then be in effect within three (3) months of written NRC approval. Annual updates to the surety amount, required by 10 CFR 40, Appendix A, Criteria 9 and 10, shall be submitted to the NRC at least three (3) months prior to the anniversary date designated in this condition. If the NRC has not approved a proposed revision to the surety coverage 30 days prior to the expiration date of the existing surety arrangement, the licensee shall extend the existing surety arrangement for one year.

Along with each proposed revision or annual update, the licensee shall submit supporting documentation showing a breakdown of the costs and the basis for the cost estimates with adjustments for inflation, maintenance of a minimum 15 percent contingency fee changes in engineering plans, activities performed and any other conditions affecting estimated costs for site closure. The licensee shall also provide the NRC with all surety related correspondence submitted to the State, a copy of the State's surety review and the final approved surety arrangement, if applicable. The licensee shall

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also ensure that the surety, where authorized to be held by the State, expressly identifies the NRC portion of the surety and covers the decommissioning and decontamination of the mill and mill site, reclamation of the tailings and waste disposal areas, soil and water sample analyses to confirm decontamination, ground water restoration as warranted and the transfer of the long-term surveillance fee to the U.S. General Treasury. The basis for the cost estimate is the NRC approved reclamation/decommissioning plan or NRC approved revisions to the plan. The attachment to this license, entitled "Recommended Outline for Site Specific Reclamation and Stabilization Cost Estimates" outlines the minimum considerations used by the NRC in the review of site closure estimates. Reclamation/decommissioning plans and annual updates should follow this outline.

Umetco's currently approved surety instrument, Irrevocable Letter of Credit No. S00017012 issued by the Irving Trust Company, New York, in favor of the NRC, shall be continuously maintained in an amount no less than \$5,004,337 for the purpose of complying with 10 CFR 40, Appendix A, Criteria 9 and 10, until a replacement is authorized by the NRC. For the purposes of NRC's annual review, Umetco's anniversary date is designated as June 4 of each successive year.

Paul W. Michaud

Paul W. Michaud
Project Manager

Approved by:

Ramon E. Hall
Ramon E. Hall
Director

Case Closed: 04008681310R

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