



INTERNATIONAL
URANIUM (USA)
CORPORATION

40-2681

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November 9, 1999

Via Fax: (301) 415-5397

Mr. John Surmeier
U.S. Nuclear Regulatory Commission
Uranium Recovery Branch
Office of Nuclear Materials Safety & Safeguards
Mail Stop T7J9
Two White Flint North
11545 Rockville Pike
Rockville, MD 20852-2738

Re: Request to Revise the Surety for White Mesa Uranium Mill, License SUA-1358

Dear Mr. Surmeier:

In response to your October 21, 1999 letter concerning the basis for our estimated reclamation costs, International Uranium (USA) Corporation ("IUSA") would like to add the following additional detail and specifics on our approach to the reclamation cost estimate.

IUSA's estimate for the cost of implementation of the reclamation plan is based on the philosophy that the estimate is not a static number, but will change over time with both the increase of costs due to inflation, and with changing onsite conditions which may increase or decrease the overall costs. The estimate will be modified by both the annual inflation adjustment as well as periodic submittals from IUSA updating onsite changes. We approach the cost estimate based on the current status of the onsite liability and assume that, as of that day, IUSA would be unable to fulfill its obligations to complete the reclamation. NRC would then have access to the full surety amount and would hire an independent contractor to complete the entire scope of work according to the approved plan. In as many cases as possible we have provided estimated costs based on the assumption that the NRC's contractor would obtain the necessary equipment or services through suppliers which have provided independent cost quotes to IUSA, or would have equipment or services available through their in-house resources. The contractor may have in-house resources that are less expensive than the quoted rates, but in no case should the cost to the NRC be greater than the independent quotes obtained by IUSA. In the following paragraphs, conservatism of IUSA estimates is described in relation to specific NRC comments in the October 21, 1999 letter.

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Basis for IUC Reclamation Estimate

The equipment rental and contract service cost quotes used in IUSA's estimate were obtained from third party, reputable businesses, who have previously, and may currently be, working on uranium mill tailings projects. For example, Butler Machinery Company maintains one of the larger fleets of rental equipment in the country, with over 1,400 pieces of Caterpillar equipment currently in their rental/lease program. Butler has previously provided equipment to UMTRCA sites at Riverton, Wyoming; Gunnison, Maybell, and Slickrock, Colorado; as well as Title 2 sites at Moab, Utah and Grants, New Mexico. This information is provided to assure the NRC that equipment rates quoted to IUC would also be available to NRC or their subcontractors in the event of an IUSA default. Butler Machinery has recently offered to provide ongoing rental quotes directly to the NRC if so desired.

With respect to NRC concerns about IUSA's estimate taking advantage of favorable equipment and blasting rates, we would like to provide the following clarification, as we do not believe that this is the case. Looking specifically at the estimated blasting costs, the task is a well-defined work scope, and limited to a single work area and time frame in the overall estimate. The total estimated quantity of rock to be removed is 64,800 cubic yards. The drilling and blasting estimate was based on a minimum of 30,000 cubic yards; therefore it is unlikely NRC could incur additional cost in the unit rates for drilling and blasting, and may in fact negotiate more favorable rates for quantities in excess of the estimated minimums. Once the work is initiated, IUSA would clearly ask for reductions in unit rate based on higher quantities. However, for purposes of this estimate, we have used the quoted unit rate for a smaller quantity to add conservatism to the estimate.

Likewise, hourly rates for equipment rental also have an element of conservatism. All of the rental terms for earth moving equipment have been quoted for a six-month, single shift basis. In reality the majority of the equipment will be used for longer rental periods and can also be utilized on a double shift basis, which results in significant reduction in the hourly operating cost for the second shift hours. For example, the rental rate for a D8N bulldozer with ripper is \$10,800 per month, based on 176 hours of usage. This equates to \$61.36 per hour. The excess hour charge is \$34.00 per hour for each hour over 176, on a total rental term basis. This results in savings of \$27.36 on hours operated in excess of the base rental amount. All other operating costs for labor, fuel, and maintenance should be equal for the base hours as well as the excess hours. The IUSA cost estimate did not take any credit for excess hour savings. All of the operating hours in the estimate presented to the NRC were based on the rate quoted for the base 176 hours. No reduction in the hourly operating cost was taken for the reduced excess hour rate. Hence, IUSA's cost estimate is conservative.

IUSA does not see the potential for NRC to incur higher costs against a partial reclamation scenario. One potential scenario would be if a situation arose in which IUSA would default today, and NRC would have the current estimated surety amount to complete the current scope of work. This would include firm quotes for major cost items in the scope of work, as well as the required factors applied for contractor overhead and profit and the 15% contingency. A second scenario would be if IUSA begins final reclamation and is unable to complete the work at some point

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into the project. At that point, IUSA would have expended money against the scope of work and reduced the overall liability with no associated reduction in the surety amount. NRC would have the original amount of surety dollars to spend against a reduced scope of work. It is also possible under this scenario that IUSA would have completed a portion of the work and asked for an associated reduction in the surety amount. The basis of this reduction, and NRC's approval of such, would then have to take into account potential higher unit costs against a smaller scope of work. NRC would then be covered on revised costs going forward.

Experience of Estimate Preparers

The IUSA estimate was prepared by Bob Hembree and myself. In addition to our direct knowledge of the White Mesa site, both of us also have had extensive experience working on Title 1 and Title 2 uranium tailings reclamation and mill demolition projects. I managed contractor operations, under lump sum bids, for major portions of the work on the Riverton, Wyoming and Gunnison, Colorado UMTRCA sites. Bob Hembree had direct operating experience on the Maybell and Slickrock, Colorado sites. I also directed contractor operations on portions of the ARCO Bluewater mill demolition, Atlas tailings interim cover placement, and designed the work plan for the Western Nuclear Sherwood Mill demolition. We are confident the estimate as presented is a fair and accurate representation of the costs to complete the scope of work as it currently exists.

Summary and Conclusions

In summary, while IUSA appreciates the NRC's concerns, we feel that the reclamation estimate has been prepared with a reasonable degree of conservatism in the base costs, which goes above and beyond the required factors for contractor overhead and profit, and the 15% contingency. In addition, should site conditions change, resulting in either an increase or decrease in the scope of work, the associated cost for conducting the revise scope will be evaluated.

I hope this additional explanation and detail has answered your questions. Please feel free to contact me if you have any additional questions.

Very truly yours,



Harold R. Roberts
Executive Vice President

HRR:pl

cc: Earl E. Hoellen
David C. Frydenlund
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Michelle R. Rehmann