

OCFO TICKET

23-Feb-01

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CORRESPONDENCE CONTROL TICKET

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ACTION OFFICE: ~~EDO~~ CFO

AUTHOR: FLECTHER NEWTON
AFFILIATION: CO
ADDRESSEE: RICHARD MESERVE
SUBJECT: FEES CHARGED TO ISL URANIUM PRODUCERS

ACTION: Signature of Chairman
DISTRIBUTION: CHAIRMAN, RF, SECY TO ACK

LETTER DATE: 02/15/2001

ACKNOWLEDGED No
SPECIAL HANDLING: OCM #5435
~~EDD~~/CFO FOR ACTION

NOTES: COMMISSION CORRESPONDENCE

FILE LOCATION: ADAMS

DATE DUE: 03/08/2001 DATE SIGNED:

5435



POWER RESOURCES

FLETCHER T. NEWTON
President & CEO

February 15, 2001

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Via Federal Express

The Honorable Richard Meserve
Chairman, U.S. Nuclear Regulatory Commission
11545 Rockville Pike
Rockville, MD 20852-2738

RE: Fees charged to ISL uranium producers

Dear Chairman Meserve:

A few days ago I was listening to some of the tape recordings of phone conversations Lyndon Johnson made while he was President. I was struck by how frustrated he often sounded because of his inability to control America's involvement in the Vietnam War. I must say that I sometimes feel the same way when I see the invoices that Power Resources and Crow Butte Resources receive from the NRC just to keep operating our ISL facilities in Wyoming and Nebraska. At a time when U.S. domestic uranium production has sunk to an all-time low, I wonder whether this never-ending increase in regulatory fees will force us to reconsider whether it is worthwhile to produce any uranium, regardless of what happens in the market.

As we discussed last August when Steve Collings and I met with you and your staff, I appreciate that the issue of NRC fees is something over which the Congress has ultimate control. I also understand that any change to the current system must come about through legislation. At the same time, however, Power Resources and Crow Butte Resources find themselves subject to increasingly higher fees as the result of what appear to be arbitrary and unexplained NRC activities, particularly involving some of our project managers. Worst of all is the fact that we have absolutely no control over these costs and no way to effectively manage or anticipate them. The current situation with our affiliated company Crow Butte Resources in Nebraska is a case in point.

I have attached a summary of Crow Butte's annual NRC costs from 1989 to 2000. (This is the most recent iteration of this chart because with each new bill from the NRC this year we have had to keep changing the scale just to keep the graph on one sheet of paper.) As you can see, a large part of the fees for this past year resulted from Project Manager costs, most of which have dealt with the issue of standards for groundwater restoration. Our frustration arises from the fact that this issue was addressed long ago both by the State of Nebraska's Department of Environmental Quality (through the Underground Injection Control Program under the auspices of the EPA) as well as by the NRC itself as part of Crow Butte's original operating license. In spite of this, we now find ourselves having to pay \$140 per hour for unknown individuals at the NRC to again "review" the record.



A member of the Cameco group of companies

The situation for our Highland facility is not much better. Over the past several years, as the decreased price of uranium has forced us to reduce our production and the size of our workforce, NRC fees have nonetheless increased. The attached charts showing the NRC fees charged to PRI don't require any further elaboration.

I realize that Congress has required the NRC to recover its budget expenditures from the entities that it regulates. I wonder, however, whether we have not lost sight of the original purpose of the NRC as a regulatory body designed to facilitate and promote the safe and productive use of nuclear energy. What appears to have resulted instead is a situation in which the few remaining U.S. uranium producers are paying more and more each year in "regulatory fees" while the scale of our activities continues to decrease. Is this any way to regulate an important domestic industry or ensure its survival?

I hope we can discuss this matter in person in the near future. In the meantime, I do appreciate your continued support and interest in our industry.

Very truly yours,



Fletcher T. Newton
President

FTN/sl
enclosures

cc: The Honorable Greta Dicus
Commissioner, U.S. Nuclear Regulatory Commission (w/ enc.)

The Honorable Niles J. Diaz, Ph.D.
Commissioner, U.S. Nuclear Regulatory Commission (w/ enc.)

The Honorable Edward McGaffigan, Jr.
Commissioner, U.S. Nuclear Regulatory Commission (w/ enc.)

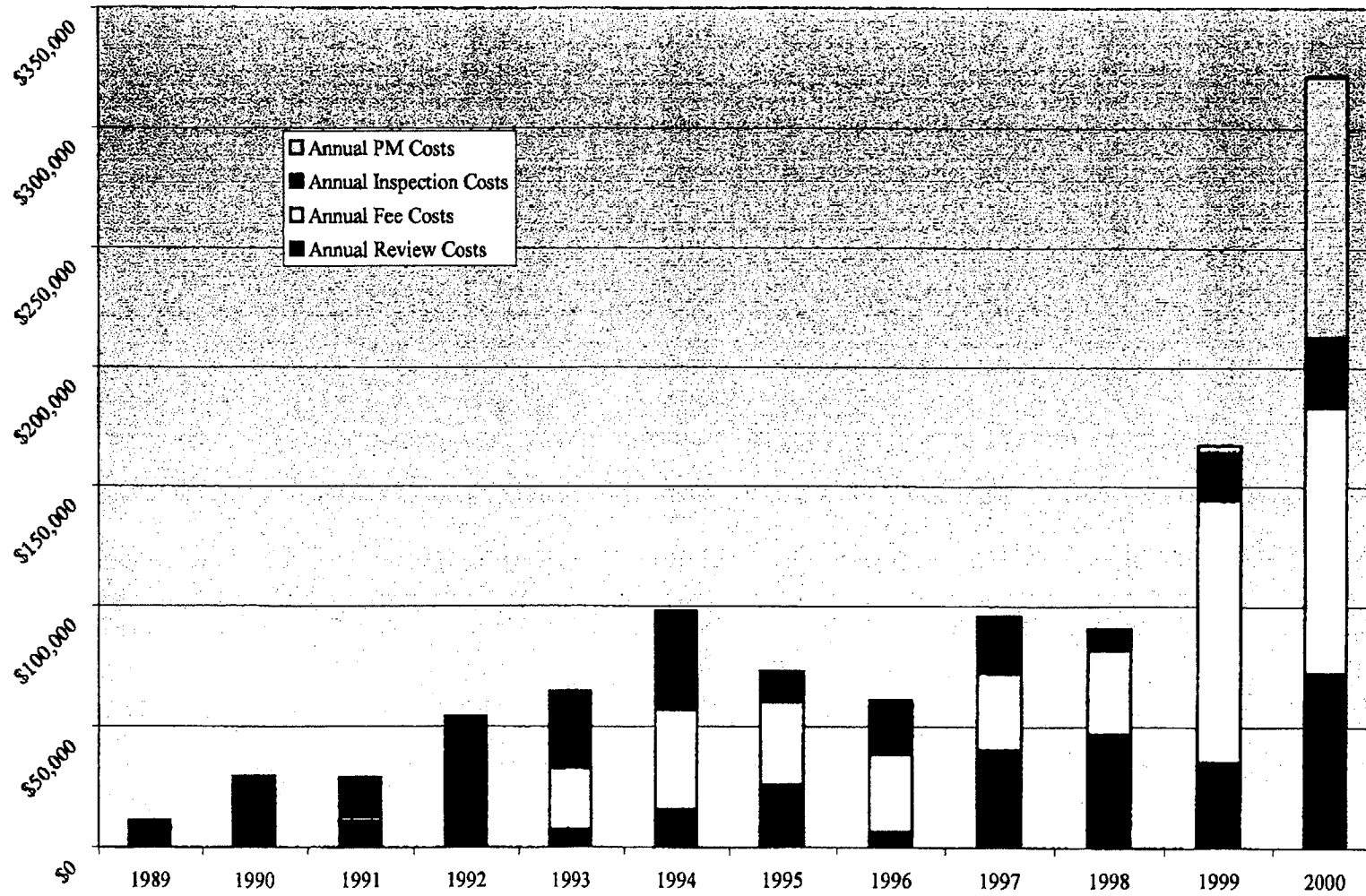
The Honorable Jeffrey S. Merrifield
Commissioner, U.S. Nuclear Regulatory Commission (w/ enc.)

Mr. Jack N. Gerard
President & CEO, National Mining Association

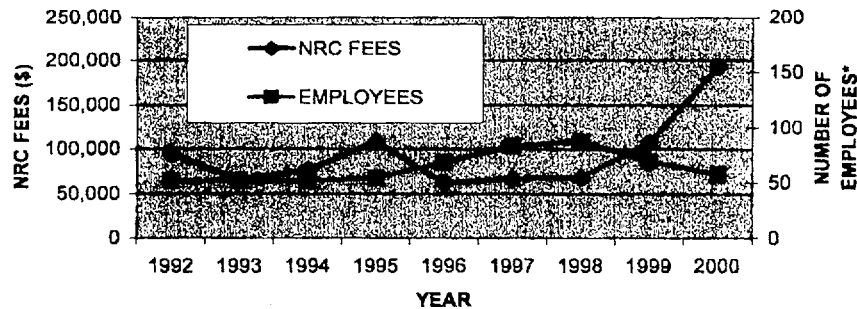
Anthony Thompson, Esq.
Shaw Pittman

James Curtiss, Esq.
Winston & Strawn

Crow Butte Annual NRC Costs 1989 to 2000

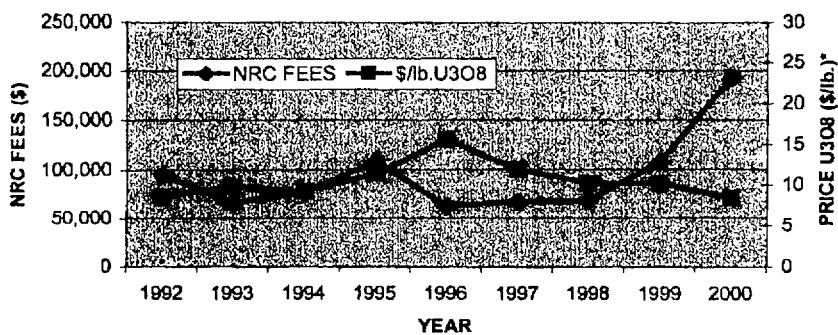


NRC FEES VS NUMBER OF PRI EMPLOYEES*



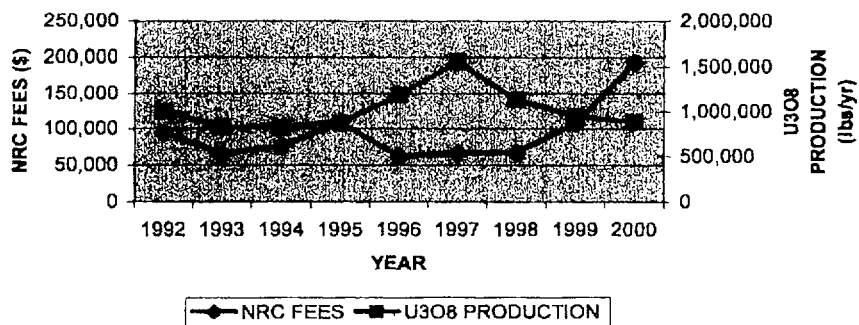
* NUMBER OF PRI EMPLOYEES INCLUDES THE HUP AND CASPER OFFICE (Closed in Sep 2000)

NRC FEES VS PRICE U3O8*



*AVERAGE ANNUAL PRICE (Restricted) OF U3O8 OBTAINED FROM TradeTech EXCHANGE VALUES

NRC FEES VS U3O8 PRODUCTION



* NUMBER OF PRI EMPLOYEES INCLUDES THE HUP AND CASPER OFFICE (Closed in Sep 2000).

** AVERAGE ANNUAL PRICE (Restricted) OF U3O8 OBTAINED FROM TradeTech EXCHANGE VALUES.