



**POWER  
RESOURCES**

**FLETCHER T. NEWTON**  
President & CEO

DOCKETED  
USNRC

2002 JAN 15 PM 2: 54

OFFICE OF THE SECRETARY  
RULEMAKINGS AND  
ADJUDICATIONS STAFF

**Corporate Office**  
274 Union Blvd.  
Suite 310  
Lakewood, Colorado USA 80228  
Tel: (720) 917-0112  
Fax: (720) 917-0188  
Direct: (720) 879-5523

4

**DOCKET NUMBER**

**PETITION FILE # 170-5** January 14, 2002

**(66FR 55604)**

Ms. Annette L. Vietti-Cook  
U.S. Nuclear Regulatory Commission  
Office of the Secretary of the Commission  
ATTN: Rulemaking and Adjudication Staff  
11555 Rockville Pike  
Mailstop 016C1  
Rockville, MD 20852-2738

**Re: Petition for Rulemaking to Exempt Uranium Recovery Licensees from Nuclear  
Regulatory Commission (NRC) Part 170 and 171 Fees**

Dear Ms. Vietti-Cook:

Power Resources, Inc. ("PRI") and its affiliated company Crow Butte Resources, Inc. ("CBR") are submitting this letter in support of the above-referenced petition filed by the National Mining Association requesting that the NRC waive the assessment of all annual and periodic inspection and licensing fees currently imposed on NRC uranium recovery licensees. PRI and CBR are engaged in uranium recovery and processing. These companies together account for nearly forty-five percent (45%) of total U.S. domestic uranium production.<sup>1</sup> In support of this petition we respectfully submit for your consideration the accompanying information setting forth why it is "*in the public interest*" to waive the subject fees on NRC uranium recovery licensees.

<sup>1</sup>Total U.S. production of uranium in 2000 was 3.958 million pounds U<sub>3</sub>O<sub>8</sub>. Of this total PRI produced 790,000 pounds at its Highland facility in Wyoming; CBR produced 810,000 pounds at its facility in Nebraska; Rio Algom Mining Corporation produced 1.1 million pounds at its Smith Ranch facility in Wyoming; and Cotter Corporation produced 806,000 pounds from previously stockpiled ore at its mill in Canon City, Colorado. The remainder of production in 2000 came from minewater recovery operations at Rio Algom's Ambrosia Lake facility in New



A member of the Cameco group of companies

Template = SECY-067

SECY-02

## **Overview**

President Bush recently stated, "America must have an energy policy that plans for the future, but meets the needs of today." One essential aspect of this policy must be to ensure that the United States maintains diverse and reliable sources of supply for its energy needs. The report of the National Energy Policy Development Group submitted to the President in May 2001 emphasized this point and placed particular importance on the role of nuclear power when it wrote, "The NEPD Group recommends that the President support the expansion of nuclear energy in the United States as a major component of our national energy policy."<sup>2</sup>

According to statistics compiled by the United States Energy Information Agency, net electricity consumption for the period 1980 through 2000 increased at an average annual rate of 3.1%. Yet because America already consumes tremendous amounts of electricity, the significance of this trend is better understood by looking at the absolute amount of the increase. In 1980, American net electricity consumption was 2,817 billion kilowatt hours. By 2000, consumption had jumped to 3,607 billion kilowatt hours, an increase of nearly 800 billion kilowatt hours. If energy consumption during the next decade increases at this same rate, the projected energy supplies of the United States will simply not be sufficient to meet this new demand. This fundamental imbalance between available energy supplies and projected demand highlights the urgency with which we must act if we are to avoid a national energy crisis. To meet this challenge, we must use all of our available energy resources and take steps to ensure that short-term financial considerations are not allowed to preempt the implementation of sound long-term policies.

---

Mexico as well as from processing of alternate feed material at the IUC facility near Blanding, Utah. Total U.S. production in 2001 is estimated to be only 3.1 million pounds  $U_3O_8$ .

<sup>2</sup> Report of the National Energy Policy Development Group, May 2001, p. 5-21.

### **Nuclear Energy's Role in the United States**

There are currently 104 licensed commercial nuclear generating units in the United States, which provide approximately 23% of the nation's electricity.<sup>3</sup> Stated somewhat differently, nuclear energy provides the electricity for nearly one out of every four homes and businesses across America. In 2000, these reactors consumed a total of 51.8 million pounds  $U_3O_8$  (equivalent). Of this amount, however, only 3.8 million pounds came from U.S. production; the balance was imported from foreign sources or was drawn out of existing inventories. In other words, the United States last year relied on imports or inventory draw downs to supply 94% of the fuel needed to operate the nation's reactors. With U.S. uranium production expected to be even lower in 2001, domestic nuclear utilities will become even more dependent on imports and inventory draw-downs in order to meet their reactor fuel needs. The continually increasing capacity factors at U.S. nuclear utilities will only exacerbate this situation.

No one is suggesting, of course, that America's primary sources of imported uranium would ever attempt to blackmail the United States or use this resource to exercise undue influence over America's foreign or domestic policy. As the terrorist attacks of September 11 so painfully demonstrated, however, a single series of events can quickly disrupt and even shut down the flow of strategic materials throughout the world. Given the importance of nuclear fuel to the nation's energy supply, this is a possibility that must simply not be allowed ever to occur.

### **Impact of the Petition**

The U.S. domestic uranium industry now finds itself on the edge of extinction. In 2000, as reported by the United States EIA, the 3.958 million pounds of uranium that were produced in

America that year represented a decline of 14% in U.S. uranium production from 1999 and a 37% decrease in production from 1996 (see Reference Exhibit I).<sup>4</sup> The total number of uranium mines operating in the United States in 2000 declined to just five, four fewer than in 1999. This trend has continued throughout 2001 and it is expected that there will be even fewer U.S. uranium production facilities operating in 2002. The EIA goes on to report that total employment in the U.S. among uranium recovery licensees in 2000 was 627 person-years (see Reference Exhibit II). Compared to 1999, this represents a decrease of 26%. Of even greater concern are the statistics for employment in individual categories: mining employment declined by 49%; milling employment declined by 47%; and exploration employment declined by 86%. (Indeed, according to the EIA, for all of 2000, there was the equivalent of just one single person employed in uranium exploration.)<sup>5</sup>

The primary reason for this collapse has been the dramatic decline in the price of uranium. From an industry high in July 1978 of \$43.40 per pound  $U_3O_8$ , spot prices have declined to below \$10.00 per pound. More recently, prices dropped from \$16.50 per pound in July 1996 to just under \$7.00 per pound in December 2000, a drop of 58% (see Reference Exhibit III). In historic dollars, both today's spot and long-term price for  $U_3O_8$  are near their lowest point in history.<sup>6</sup>

As prices have declined and production been reduced, workers in the uranium industry have understandably looked for employment elsewhere. The loss of knowledgeable and qualified staff capable of dealing with the myriad technical, environmental, safety, and

---

<sup>3</sup> One of these reactors, TVA's Brown's Ferry Unit 1, has been shut down since 1985. Because of this, many sources usually cite only 103 operating reactors in the U.S.

<sup>4</sup> *Uranium Industry Annual 2000*, published by the Energy Information Administration, May 23, 2001, Table 5, p. 8.

<sup>5</sup> *Ibid*, Table 8, p. 10. (See Reference Exhibit II.)

<sup>6</sup> On January 11, 2002, the spot price of  $U_3O_8$  as reported by *Trade Tech*, was \$9.55, and the long-term price was \$10.50.

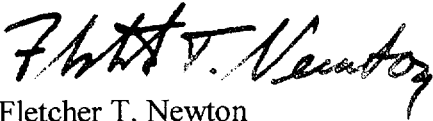
regulatory issues that are a daily part of uranium production has created an ever-increasing burden for uranium recovery licensees. This dramatic loss of industry expertise has been such that maintaining even today's modest levels of production cannot be guaranteed. Faced with the prospect of selling fewer pounds at lower prices, uranium producers have repeatedly been forced to cut their staffs. NRC fees, which for uranium recovery licensees today represent a higher percentage of operating costs than ever before, only compound this problem.

So why is it in the "public interest" for the NRC to waive the assessment of fees for uranium recovery licensees, particularly when this will mean that these fees will need to be recovered from other NRC licensees? Quite simply, it is because such a waiver would provide an immediate and tangible benefit to uranium recovery licensees and will represent a meaningful and significant step towards preserving what remains of the U.S. domestic uranium production industry. At the same time, the cost of such a waiver, as measured by the increased financial burden to be borne by other licensees, would be minor compared to the benefit to the country's remaining uranium recovery licensees. Given the importance of uranium as the fuel for our nation's nuclear reactors, and given the unpredictability of a world in which the greatest threat to American national security is posed by anonymous terrorist groups, we simply cannot allow a situation to develop in which this country no longer possess the ability to produce its own nuclear fuel. Without a domestic uranium production industry, this is exactly what will happen. Providing temporary relief from inspection and licensee fees will give the domestic uranium production industry part of the support it needs in order to remain viable.

(remainder of this page intentionally left blank)

We urge you to give this matter the serious consideration it deserves and to take this important step towards ensuring that the United States does not lose the remaining capability it has to provide for our own nuclear fuel needs.

Very truly yours,

A handwritten signature in black ink, appearing to read "Fletcher T. Newton". The signature is stylized with a large, prominent "F" and a long, sweeping underline.

Fletcher T. Newton

FTN:mf

# EXHIBIT I

**Table 5. U.S. Uranium Concentrate Processing Operations, 1991-2000**

Processing Operations	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Ore Fed to Process <sup>a</sup> (thousand tons) .....	639	256	0	0	167	44	0	0	W	W
Percent U <sub>3</sub> O <sub>8</sub> <sup>b</sup> .....	0.198	0.229	—	—	0.520	0.500	—	—	W	W
Contained U <sub>3</sub> O <sub>8</sub> (thousand pounds) In Ore .....	2,529	1,171	0	0	1,739	444	0	0	W	W
Other Feed Materials <sup>c</sup> .....	179	181	42	78	163	409	911	387	W	W
Total Mill Feed (thousand pounds U <sub>3</sub> O <sub>8</sub> ) .....	2,708	1,353	42	78	1,902	853	911	387	1,260	1,015
In-Process Inventory Change (thousand pounds U <sub>3</sub> O <sub>8</sub> ) .....	-122	-25	10	24	157	-137	52	-7	106	-133
<b>Concentrate Produced at Mills</b> (thousand pounds U <sub>3</sub> O <sub>8</sub> )										
Theoretical <sup>d</sup> .....	2,830	1,377	31	54	1,744	990	859	393	1,154	1,164
<b>Actual</b> .....	<b>2,608</b>	<b>1,359</b>	<b>30</b>	<b>46</b>	<b>1,615</b>	<b>860</b>	<b>784</b>	<b>323</b>	<b>907</b>	<b>1,017</b>
Recovery as Percent .....	92.2	98.7	—	—	92.6	86.8	91.2	82.2	78.6	87.4
Tailings and Unaccountable (thousand pounds U <sub>3</sub> O <sub>8</sub> ) .....	222	18	1	8	130	130	76	70	246	147
<b>Other Processing<sup>e</sup></b> (thousand pounds U <sub>3</sub> O <sub>8</sub> ) .....	<b>5,344</b>	<b>4,286</b>	<b>3,033</b>	<b>3,306</b>	<b>4,428</b>	<b>5,461</b>	<b>4,859</b>	<b>4,381</b>	<b>3,703</b>	<b>2,941</b>
<b>Total Uranium Concentrate Production</b> (thousand pounds U <sub>3</sub> O <sub>8</sub> ) .....	<b>7,952</b>	<b>5,645</b>	<b>3,063</b>	<b>3,352</b>	<b>6,043</b>	<b>6,321</b>	<b>5,643</b>	<b>4,705</b>	<b>4,611</b>	<b>3,958</b>
<b>Total Concentrate Shipped From Mills and Plants</b> (thousand pounds U <sub>3</sub> O <sub>8</sub> ) .....	<b>8,437</b>	<b>6,853</b>	<b>3,374</b>	<b>6,319</b>	<b>5,500</b>	<b>5,982</b>	<b>5,817</b>	<b>4,863</b>	<b>5,527</b>	<b>3,187</b>

<sup>a</sup>Uranium ore "fed to process" in any year can include: ore mined and shipped to a mill during the same year, ore that was mined during a prior year and later shipped from mine-site stockpiles, and/or ore obtained from drawdowns of stockpiles maintained at a mill site.

<sup>b</sup>Weighted average percent U<sub>3</sub>O<sub>8</sub> per ton of ore.

<sup>c</sup>Includes for various years uranium from low-grade ore, mill cleanup, mine water, tailings water, heap leaching, and waste stream materials.

<sup>d</sup>At 100-percent recovery.

<sup>e</sup>U<sub>3</sub>O<sub>8</sub> concentrate production from in-situ leaching and as a byproduct of phosphate processing.

— = Not applicable. W=Data withheld to avoid disclosure.

Note: Totals may not equal sum of components because of independent rounding.

Sources: Energy Information Administration: 1991-1999-Uranium Industry Annual 1999 (May 2000). 2000-Form EIA-858, "Uranium Industry Annual Survey" (2000).

## **EXHIBIT II**

<b>Employment in the U.S. Uranium Industry by Category, 1991-20</b> (Person-Years)						
Year	<b>Employment Categories</b>					
	Exploration	Mining	Milling	Processing	Reclamation <sup>a</sup>	Total
1991	52	411	191	361	NA	1,016
1992	51	219	129	283	NA	682
1993	36	133	65	145	491	871
1994	41	157	105	149	528	980
1995	27	226	121	161	573	1,107
1996	27	333	155	175	429	1,118
1997	30	413	175	175	303	1,097
1998	30	518	160	203	209	1,120
1999	7	310	201	132	199	848
2000	1	157	106	137	226	<b>627</b>

<sup>a</sup>Data on reclamation employment was not collected prior to 1993.

NA = Not available.

Note: Totals may not equal sum of components because of independent rounding.

Sources: Energy Information Administration: **1991-1999-Uranium Industry Annual 1999** (May 2000). **2000-Form EIA-858**, "Uranium Industry Annual Survey" (2000).



### EXHIBIT III

#### Nuexco Exchange Value \$US/lb U<sub>3</sub>O<sub>8</sub>

Year	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Average
1968	-	-	-	-	-	-	-	\$6.35	\$6.35	\$6.40	\$6.45	\$6.50	\$6.41
1969	-	\$6.35	\$6.10	\$6.10	\$6.25	\$6.25	\$6.20	\$6.20	\$6.15	\$6.15	\$6.15	\$6.20	\$6.19
1970	\$6.30	\$6.30	\$6.30	\$6.30	\$6.30	\$6.30	\$6.30	\$6.20	\$6.15	\$6.15	\$6.15	\$6.15	\$6.24
1971	\$6.20	\$6.20	\$6.20	\$6.20	\$6.15	\$6.05	\$6.00	\$5.95	\$5.95	\$5.95	\$5.95	\$5.95	\$6.06
1972	\$5.95	\$5.95	\$5.95	\$5.95	\$5.95	\$5.95	\$5.95	\$5.95	\$5.95	\$5.95	\$5.95	\$5.95	\$5.95
1973	\$5.95	\$6.00	\$6.10	\$6.20	\$6.45	\$6.50	\$6.50	\$6.50	\$6.50	\$6.50	\$6.75	\$7.00	\$6.41
1974	\$7.70	\$7.90	\$8.00	\$9.00	\$9.50	\$10.50	\$11.50	\$12.00	\$12.50	\$14.00	\$14.75	\$15.00	\$11.03
1975	\$16.00	\$16.00	\$18.00	\$20.00	\$21.00	\$23.00	\$24.70	\$26.00	\$26.00	\$28.50	\$30.00	\$35.00	\$23.68
1976	\$35.20	\$37.00	\$39.25	\$40.00	\$40.00	\$40.00	\$40.00	\$40.40	\$41.00	\$41.00	\$41.50	\$41.00	\$39.70
1977	\$41.35	\$41.50	\$41.60	\$41.60	\$42.00	\$42.25	\$42.25	\$42.25	\$42.40	\$42.75	\$43.20	\$43.20	\$42.20
1978	\$42.90	\$43.25	\$43.25	\$43.25	\$43.40	\$43.40	\$43.40	\$43.10	\$43.25	\$43.00	\$43.25	\$43.25	\$43.23
1979	\$43.25	\$43.25	\$43.25	\$43.25	\$43.25	\$43.00	\$42.70	\$42.70	\$42.20	\$42.20	\$41.00	\$40.75	\$42.57
1980	\$40.00	\$38.00	\$35.00	\$32.00	\$32.00	\$31.50	\$31.50	\$30.00	\$28.50	\$28.00	\$28.00	\$27.00	\$31.79
1981	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$24.25	\$23.50	\$23.50	\$23.50	\$23.50	\$23.50	\$23.50	\$24.19
1982	\$23.00	\$23.00	\$22.50	\$20.75	\$20.50	\$19.25	\$18.25	\$17.00	\$17.00	\$17.50	\$19.75	\$20.25	\$19.90
1983	\$21.50	\$21.75	\$22.25	\$23.25	\$23.50	\$23.50	\$24.00	\$24.00	\$24.00	\$23.50	\$22.50	\$22.00	\$22.98
1984	\$20.50	\$17.50	\$17.00	\$17.75	\$17.75	\$17.50	\$17.50	\$17.50	\$17.50	\$16.00	\$15.50	\$15.25	\$17.27
1985	\$15.00	\$15.00	\$15.00	\$14.25	\$15.00	\$15.00	\$15.75	\$16.00	\$16.00	\$16.50	\$16.75	\$17.00	\$15.60
1986	\$17.00	\$17.00	\$17.25	\$17.25	\$17.00	\$17.00	\$17.00	\$17.00	\$17.00	\$17.00	\$16.75	\$16.75	\$17.00
1987	\$16.65	\$16.75	\$17.00	\$17.00	\$17.00	\$16.90	\$16.75	\$16.65	\$16.65	\$16.75	\$16.65	\$16.55	\$16.78
1988	\$16.30	\$16.15	\$15.90	\$15.75	\$15.40	\$15.10	\$14.75	\$14.15	\$13.75	\$13.15	\$12.50	\$11.75	\$14.55
1989	\$11.60	\$11.20	\$10.70	\$10.10	\$9.85	\$9.80	\$9.80	\$9.70	\$9.60	\$9.40	\$9.20	\$9.00	\$10.00
1990	\$8.85	\$8.70	\$8.80	\$8.80	\$9.25	\$11.60	\$11.70	\$11.45	\$10.10	\$8.35	\$9.80	\$9.70	\$9.76
1991	\$9.10	\$9.50	\$9.30	\$9.10	\$9.20	\$9.05	\$8.55	\$8.75	\$8.40	\$7.25	\$7.40	\$8.75	\$8.70
1992 Restricted	\$8.00	\$8.00	\$7.85	\$7.75	\$7.75	\$7.75	\$7.75	\$8.05	\$8.75	\$10.50	\$10.30	\$9.95	\$8.53
1992 Unrestricted	---	---	---	---	---	---	---	---	---	\$8.00	\$7.90	\$7.85	\$7.92
1993 Restricted	\$9.70	\$10.00	\$10.00	\$10.05	\$10.05	\$10.00	\$9.90	\$10.00	\$10.20	\$10.15	\$9.90	\$9.85	\$9.98
1993 Unrestricted	\$7.65	\$7.60	\$7.45	\$7.10	\$7.10	\$7.00	\$6.90	\$6.90	\$6.90	\$6.90	\$6.90	\$7.00	\$7.12
1994 Restricted	\$9.50	\$9.45	\$9.45	\$9.30	\$9.25	\$9.25	\$9.25	\$9.10	\$9.05	\$9.05	\$9.45	\$9.60	\$9.31
1994 Unrestricted	\$7.00	\$7.00	\$7.00	\$7.00	\$7.00	\$7.10	\$7.10	\$7.10	\$7.00	\$7.00	\$7.15	\$7.20	\$7.05
1995 Restricted	\$9.65	\$10.40	\$11.15	\$11.60	\$11.80	\$11.90	\$11.85	\$11.70	\$11.70	\$11.70	\$11.85	\$12.20	\$11.46
1995 Unrestricted	\$7.25	\$7.25	\$7.35	\$7.35	\$7.65	\$7.90	\$8.40	\$9.00	\$9.50	\$9.80	\$10.00	\$10.00	\$8.45
1996 Restricted	\$13.00	\$15.40	\$15.75	\$16.10	\$16.50	\$16.50	\$16.50	\$16.30	\$15.90	\$15.40	\$14.90	\$14.70	\$15.58
1996 Unrestricted	\$10.75	\$13.00	\$13.50	\$13.75	\$15.00	\$15.00	\$15.50	\$15.50	\$15.25	\$14.90	\$14.40	\$13.75	\$14.19
1997 Restricted	\$14.25	\$13.65	\$13.00	\$12.10	\$11.40	\$10.50	\$10.40	\$10.20	\$11.00	\$12.75	\$12.75	\$12.05	\$12.00
1997 Unrestricted	\$12.80	\$12.50	\$12.25	\$11.50	\$10.50	\$9.70	\$9.60	\$9.20	\$9.20	\$9.65	\$9.65	\$9.65	\$10.52
1998 Restricted	\$11.80	\$10.75	\$10.75	\$10.75	\$10.75	\$10.75	\$10.50	\$10.20	\$9.75	\$9.15	\$8.75	\$8.75	\$10.22
1998 Unrestricted	\$9.65	\$9.30	\$9.30	\$9.20	\$9.20	\$9.20	\$9.20	\$9.05	\$9.05	\$8.90	\$8.45	\$8.45	\$9.08
1999 Restricted	\$10.50	\$10.50	\$10.85	\$10.85	\$10.60	\$10.30	\$10.20	\$10.00	\$9.75	\$9.75	\$9.65	\$9.60	\$10.21
1999 Unrestricted	\$9.00	\$8.50	\$8.50	\$8.50	\$8.50	\$8.25	\$8.20	\$8.20	\$8.20	\$7.75	\$7.75	\$7.60	\$8.25
2000 Restricted	\$9.40	\$9.35	\$9.20	\$8.70	\$8.40	\$8.10	\$8.10	\$7.70	\$7.40	\$7.15	\$7.15	\$7.10	\$8.15
2000 Unrestricted	\$7.60	\$7.50	\$7.25	\$7.00	\$7.00	\$7.00	\$7.00	\$6.80	\$6.75	\$6.50	\$6.50	\$6.40	\$6.94
2001 Restricted	\$7.20	\$8.00	\$8.20	\$9.10	\$8.80	\$8.75	\$8.95	\$9.10	\$9.50	\$9.50	\$9.50	-	\$8.78
2001 Unrestricted	\$6.40	\$6.75	\$7.00	\$7.25	\$7.40	\$7.40	\$7.95	\$9.10	-	-	-	-	\$7.41

**Unrestricted:** Applies to uranium from the Commonwealth of Independent States (CIS) - Kazakhstan, Kyrgyzstan, Uzbekistan, and Russia that is not legally restricted "Unrestricted" by U.S. Department of Commerce

**Restricted:** Applies to uranium that is legally "Restricted" by the U.S. Department of Commerce