

August 2, 2006

Mr. Alan D. Cox, Project Manager
Grants Reclamation Project
Homestake Mining Company
P.O. Box 98/Highway 605
Grants, NM 87020

SUBJECT: 2006 ANNUAL SURETY UPDATE FOR THE HOMESTAKE MINING COMPANY
GRANTS RECLAMATION PROJECT, AMENDMENT 40 TO SOURCE
MATERIALS LICENSE SUA-1471 (TAC LU0134)

Dear Mr. Cox:

By letter dated 29 March 2006, Homestake Mining Company (HMC) submitted its annual financial surety update for the Grants Reclamation Project (Grants), as required by 10 CFR Part 40, Appendix A, Criteria 9 and 10, and License Condition (LC) 28 of HMC's Source Materials License SUA-1471. The HMC proposed new surety for Grants is \$55,481,560 and is comprised of total project decommissioning and reclamation costs of \$47,605,240, a contingency fee of \$7,140,786 estimated at 15 percent of the aforementioned total project costs, and an estimated long-term surveillance fee of \$735,534.

The U.S. Nuclear Regulatory Commission (NRC) staff has completed its review of the proposed new surety for Grants using the guidance provided in NUREG-1620, Rev. 1, "Standard Review Plan for the Review of a Reclamation Plan for Mill Tailings Sites Under Title II of the Uranium Mill Tailings Radiation Control Act of 1978," June 2003. The proposed new surety (\$55,481,560) represents a 54 percent increase over the 2005 surety (\$35,989,490) for Grants.

Although progress in reclamation is ongoing, the primary reason for the higher surety is the significant increase in the Reverse Osmosis (RO) Plant Operations costs for the project (\$8,937,411 in the 2006 estimate versus \$3,950,153 in the 2005 estimate) and the significant increase in costs for Evaporation System Management (\$7,052,316 in the 2006 estimate versus \$1,687,477 in the 2005 estimate). General and Administrative costs have also risen from \$7,335,616 in the 2005 estimate to \$10,962,698 in the 2006 estimate. Also reflected is an increase in the overall life of the project from an estimated end date of 2013 in the 2005 surety estimate to the new estimated end date of 2017 in the 2006 surety estimate as well as increased reliance on RO and evaporation in the remedial strategy. A new evaporation pond #3 has been added to the surety calculation and is expected to be constructed in 2007. *In situ* Biotesting and Remediation has been removed from the cost estimate.

The NRC staff has evaluated the detailed individual elements of the decommissioning and reclamation costs for the Grants project and considers the HMC estimates to be comprehensive, reasonably derived, and appropriate. The NRC staff notes that all estimated decommissioning and reclamation costs for contractor and consultant services include the costs for labor and equipment overhead and profit.

The NRC staff also notes that the surety portion for long-term surveillance (\$735,534) is appropriately based on inflationary adjustment of the original \$250,000 estimated cost for this activity in 1978 dollars. Based on the foregoing review, the staff concludes that the proposed new surety (\$55,481,560) for Grants is acceptable.

Based on the NRC staff's review as noted above, Source Materials License SUA-1471 is amended by revising LC 28 to indicate that Grant's currently approved surety shall be continuously maintained in an amount no less than \$55,481,560 until a replacement is authorized by the NRC. The aforementioned modification to LC 28 is provided as Amendment No. 40 to Source Materials License SUA-1471 (Enclosure). All other conditions of the license shall remain the same. An environmental review was not performed since this action is categorically excluded under 10 CFR 51.22 (c)(10).

If you have any questions regarding this letter or the enclosure, please contact Ron Linton, the NRC Project Manager for the Grants site, at (301) 415-7777, or by e-mail to rcl1@nrc.gov.

In accordance with 10 CFR 2.390 of the NRC's "Rules of Practice for Domestic Licensing Proceedings and Issuance of Orders," a copy of this letter will be available electronically for public inspection in the NRC Public Document Room or from the Publicly Available Records (PARS) component of NRC's Agencywide Documents Access and Management System (ADAMS). ADAMS is accessible from the NRC Web site at <http://www.nrc.gov/reading-rm/adams.html>.

Sincerely,

/RA/

Gary S. Janosko, Chief
Fuel Cycle Facilities Branch
Division of Fuel Cycle Safety
and Safeguards
Office of Nuclear Material Safety
and Safeguards

Docket No.: 40-8903
License No.: SUA-1471

Enclosure: Amendment No. 40

cc: M. Purcell, USEPA
D. Mayerson, State of NM
J. Sanders, State of NM

The NRC staff also notes that the surety portion for long-term surveillance (\$735,534) is appropriately based on inflationary adjustment of the original \$250,000 estimated cost for this activity in 1978 dollars. Based on the foregoing review, the staff concludes that the proposed new surety (\$55,481,560) for Grants is acceptable.

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Fuel Cycle Facilities Branch
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(Closes TAC LU0134)

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