



UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D.C. 20555-0001

October 9, 2019

Mr. David W. Pierce
Closure Manager
Grants Reclamation Project
Homestake Mining Co. of California
P.O. Box 98, Highway 605
Grants, NM 87020

SUBJECT: HOMESTAKE MINING COMPANY OF CALIFORNIA, GRANTS
RECLAMATION PROJECT, 2019 ANNUAL SURETY UPDATE, DENIAL OF
UPDATED COST ESTIMATE, SOURCE MATERIALS
LICENSE NUMBER SUA-1471, DOCKET NUMBER 40-8903

Dear Mr. Pierce:

Enclosed, please find the U.S. Nuclear Regulatory Commission (NRC) Safety Evaluation Report for the Homestake Mining Company of California (HMC) 2019 surety update for the HMC Grants Reclamation Project (Grants) site in Grants, New Mexico.

By letter dated March 30, 2019,¹ HMC submitted its annual financial surety update for the Grants site, as required by Title 10 of the *Code of Federal Regulations* (10 CFR) Part 40, Appendix A, Criteria 9 and 10, and License Condition (LC) 28 of HMC's source materials license. The HMC proposed 2019 surety for the Grants site is \$62,442,257 and is comprised of total project reclamation costs of \$53,485,745, a contingency fee of \$8,022,862 estimated at 15 percent of the aforementioned total project costs, and an estimated minimum long-term surveillance fee of \$933,650. This constitutes a decrease of \$21,013,567 below the previous NRC approved surety estimate of \$83,455,824.

The NRC staff has completed its review of the proposed 2019 surety for the Grants site using the guidance provided in NUREG-1620, Rev. 1, "Standard Review Plan for the Review of a Reclamation Plan for Mill Tailing Sites Under Title II of the Uranium Mill Tailings Radiation Control Act of 1978."²

The NRC has evaluated the detailed individual elements of the decommissioning and reclamation costs for the Grants site and determined that HMC's cost estimate does not provide adequate justification for the significant reduction for site reclamation activities. The basis for the decrease in the cost estimate amount has not been clearly identified. In HMC's submission, it states, under the "Major Changes to 2019 Closure Cost Estimate" section of the "Memorandum - Closure Cost Estimate," that the major scheduling changes to the cost estimate include, among other things, the removal of year 2019 from the closure cost estimate. However, no additional information is provided regarding any work performed on site, facility modifications, or any other conditions affecting costs that would support a 25 percent cost estimate reduction.

¹ Agency Documents Access and Management System (ADAMS) Accession No. ML19098B551.

² ADAMS Accession No. ML032250190.

No significant work has been performed at the site since the most recently approved annual financial surety update (2018). Of the proposed surety estimates you provided, the NRC staff only found the surety portion for minimum long-term surveillance (\$933,650) appropriate.

The 2019 decommissioning cost is based on completion of decommissioning activities in 2024, however, HMC is currently reevaluating the completion date for decommissioning activities, which will be included in a Corrective Action Plan (CAP) due to the NRC by December 18, 2019. Given the previously stated cost estimate reduction request by HMC and potential effects of the impending CAP, the NRC staff cannot provide a timely determination and reasonable assurance that HMC's 2019 cost estimate sufficiently covers all site decommissioning and reclamation activities in accordance with 10 CFR Part 40, Appendix A, Criterion 9. The NRC concludes that the 2019 proposed surety of \$62,442,257 is not acceptable for the Grants site.

Additionally, it is anticipated that if NRC staff continues to review the current 2019 annual financial surety, it could entail multiple rounds of requests for additional information and take up to several months to complete. This would result in significant costs to HMC for the time spent by NRC staff on the review. Given the fact that a CAP is expected in December 2019 and the next annual financial surety submittal is due on March 30, 2020, the NRC staff recommends that HMC maintain its most recently approved surety amount and address its 2019 submittal issues and impending CAP in its 2020 surety submission.

Furthermore, 10 CFR 40.36(e) allows for use of a Parent Company Guarantee (PCG) of funds for decommissioning costs based on a financial test if the guarantee and test are as contained in Appendix A to 10 CFR Part 30. Licensees who use a PCG are required to have a Standby Trust Agreement (STA) in place, pursuant to criteria in 10 CFR Part 40, Appendix A, Criterion 9. The NRC staff finds that, because adequate information was not provided to justify the significant reduction in the licensee's cost estimate, NRC staff is not reviewing the financial assurance instrument and associated STA requirements as required by 10 CFR Part 30, Appendix A. Therefore, pursuant to 10 CFR Part 30, Appendix A, the most recently approved PCG and associated STA approved April 2, 2019,³ will remain in force.

Based on the NRC staff's review as noted above, LC 28 of Source Materials License SUA-1471 will not be amended but will continue to indicate that HMC's surety shall be continuously maintained in an amount no less than \$83,455,824 until a replacement amount is authorized by NRC. The March 30, 2019, financial surety update submission meets the requirement of LC 28 that the licensee submit an annual update to the surety amount to the NRC at least 3 months prior to the anniversary date June 30 of each year. An environmental review was not performed since this action is categorically excluded under 10 CFR Paragraph 51.22(c)(10).

³ ADAMS Accession No. ML18323A179.

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

If you have any questions regarding this letter or the enclosure, please contact Mr. Ron C. Linton at (301) 415-7777 or by e-mail to Ron.Linton@nrc.gov.

Sincerely,

A handwritten signature in black ink, appearing to be "PK" followed by a long horizontal stroke. Below the signature, the word "for" is written in a small, cursive script.

Patricia K. Holahan, Director
Division of Decommissioning, Uranium Recovery
and Waste Programs
Office of Nuclear Material Safety
and Safeguards

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

Enclosure:
Safety Evaluation Report

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