

Record of Proceedings, Including Reasons for Decision

In the Matter of

Applicant Cameco Corporation

Subject Financial Guarantee for the Future
Decommissioning of the Class IB Nuclear Fuel
Facility Located in Blind River, Ontario

Hearing Date September 13, 2007

RECORD OF PROCEEDINGS

Applicant: Cameco Corporation

Address/Location: 1 Eldorado Place, Port Hope, Ontario L1A 3A1

Purpose: Financial Guarantee for the future decommissioning of the Class IB Nuclear Fuel Facility located in Blind River, Ontario

Application received: N/A

Date of hearing: September 13, 2007

Location: Canadian Nuclear Safety Commission (CNSC) Public Hearing Room, 280 Slater St., 14th. Floor, Ottawa, Ontario

Members present: L.J. Keen, Chair
A.R. Graham
M. J. McDill

Secretary: M. A. Leblanc
Recording Secretary: M. Young
Acting General Counsel: S. Maislin Dickson

Applicant Represented By	Document Number
<ul style="list-style-type: none">• T. Gitzel, Chief Operating Officer• C. Astles, General Manager• A. Oliver, Vice President, Fuel Services• T. Smith, Environmental Specialist	
CNSC staff	Document Number
<ul style="list-style-type: none">• B. Howden• B. Barker	CMD 07-H141

Licence Condition: Requirements met
Date of release of Decision: October 25, 2007

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Introduction

1. Cameco Corporation (Cameco) has requested that the Canadian Nuclear Safety Commission¹ (CNSC) accept the proposed amendment to the value of the financial guarantee it has submitted for the future decommissioning of the Class IB Nuclear Fuel Facility located in Blind River, Ontario. The proposed amendment to the financial guarantee was submitted pursuant to Condition 1.3 in licence FFOL-3632.0/2012 (the Licence). The financial instrument proposed by Cameco is an irrevocable letter of credit valued at \$36 million (M) Canadian (CDN) and issued by a Canadian financial institution.
2. Subsection 24(5) of the *Nuclear Safety and Control Act*² (NSCA) gives the Commission the authority to require that a licensee provide a financial guarantee in a form that is acceptable to the Commission. CNSC Regulatory Guide G-206³ provides guidance on the attributes of an acceptable financial guarantee in terms of liquidity, certainty of value, adequacy of value and continuity.
3. The Commission required in the Licence that Cameco establish and maintain an acceptable financial guarantee for the future decommissioning of its facility.

Issues

4. In considering the application, the Commission was required to decide:
 - a) if the irrevocable letter of credit for \$36M CDN constitutes an acceptable financial guarantee for the future decommissioning of Cameco's Class IB Nuclear Fuel Facility located in Blind River, Ontario, pursuant to Condition 1.3 of licence FFOL-3632.0/2012.

Hearing

5. Pursuant to section 22 of the NSCA, the President of the Commission established a Panel of the Commission to review the proposed financial guarantee.
6. The Panel of the Commission (hereafter referred to as the Commission), in making its decision, considered information presented for a public hearing held on September 13, 2007 in Ottawa, Ontario. During the hearing, the Commission considered a written submission from CNSC staff (CMD 07-H141). Cameco was present at the hearing to answer questions from the Commission. No interventions were filed for this hearing.

¹ The *Canadian Nuclear Safety Commission* is referred to as the "CNSC" when referring to the organization and its staff in general, and as the "Commission" when referring to the tribunal component.

² S.C. 1997, c. 9.

³ CNSC Regulatory Guide G-206, *Financial Guarantees for the Decommissioning of Licensed Activities*, June 2000.

Decision

7. Based on its consideration of the matter, as described in more detail in the following sections of this *Record of Proceedings*,

the Commission, pursuant to subsection 24(5) of the *Nuclear Safety and Control Act*, accepts Cameco Corporation's irrevocable letter of credit for \$36M CDN as the financial guarantee provided by Cameco Corporation for the future decommissioning of the Class IB Nuclear Fuel Facility located in Blind River, Ontario.

Issues and Commission Findings

8. In making its decision, the Commission considered issues related to the acceptability of the financial guarantee.

Facility Description

9. CNSC staff stated that Cameco's Blind River facility refines yellowcake received from various sources to produce uranium trioxide, an intermediate product of the fuel cycle. CNSC staff noted that the primary recipient of the product is Cameco's Port Hope Conversion Facility.

Preliminary Decommissioning Plan and Financial Guarantee Proposal

10. In 2001, the value of the financial guarantee for Cameco's Blind River Fuel Facility was determined to be \$14.6M CDN, based upon a PDP that was accepted by the CNSC. The financial guarantee was secured by an irrevocable letter of credit and accepted by the Commission.
11. The PDP and financial guarantee were discussed at the public hearing for the licence renewal application for the Blind River Fuel Facility in 2006⁴. At that time, CNSC staff stated that the PDP required further revision in order to be considered acceptable and form an adequate basis for a revised financial guarantee. CNSC staff noted that the final PDP and financial guarantee would be forwarded to the Commission for its consideration and acceptance at a later date.

⁴ Refer to the Record of Proceedings on *Application for the Renewal of the Nuclear Fuel Facility Operating Licence for Cameco Corporation's Refinery in Blind River, Ontario*, hearing dates October 5 and December 13, 2006.

12. Following the hearing, Cameco submitted an updated PDP and financial guarantee proposal for the Blind River Fuel Facility in 2006. CNSC staff stated that it conducted two separate reviews of this proposal in relation to CNSC Regulatory Guide G-206 and CNSC Regulatory Guide G-219⁵. CNSC staff stated that, following further review, the proposed cost estimate increased to \$36M CDN.
13. CNSC staff noted that there has been a significant change in the cost estimate since 2001, with an increase from \$14.6M CDN to \$36M CDN. CNSC staff stated that this increase is attributed to a number of factors, including increased labour costs, increased transportation costs, increased demolition costs and other associated costs.
14. CNSC staff stated that the PDP includes dismantling and removing the buildings and equipment from the site, and developing a small engineered mound (40,000 cubic metres) for the storage of contaminated soil and contaminated debris from the site. CNSC staff noted that the proposed mound would be sized to accept all wastes from Cameco's Blind River Refinery and Port Hope Conversion Facility should the volume deviate from the estimates.
15. CNSC staff stated that it is anticipated that the PDP and cost estimate will remain valid over the term of the existing licence, and they would be revised at the time of Cameco's future licence renewal hearing in 2011, unless facility changes invalidate assumptions made in the PDP. CNSC staff noted that in that case, the PDP and cost estimate would have to be revised and the new estimate would be submitted to the Commission for acceptance during the current licence period.
16. CNSC staff outlined the types of work required for the decommissioning of the facility, divided into two work envelopes: clean work areas and contaminated work areas. CNSC staff also outlined the main features of the PDP and financial guarantee cost estimate, including a 'Grade B' contingency for uncertainty, which ranges from 15% to 20%, as defined in CNSC Regulatory Guide G-206, and various assumptions. CNSC staff also included a summary table of cost estimates for each decommissioning activity.
17. CNSC staff stated that an irrevocable letter of credit was proposed to be the financial guarantee instrument. Cameco stated that should the proposal be accepted by the Commission, it will provide the instructions to update the irrevocable letter of credit within fifteen business days of being notified of the acceptance of the value of the financial guarantee.
18. The Commission sought clarification concerning the cost of the storage mound. Cameco stated that the cost of the mound is \$1.5M CDN and the annuity being provided for perpetual care and maintenance is \$2M CDN, which is included in the PDP total cost estimate, for a total of \$3.5M CDN.

⁵ CNSC Regulatory Guide G-219, *Decommissioning Planning for Licensed Activities*, June 2000.

19. The Commission asked whether Cameco will employ volume reduction techniques on the materials to be placed in the storage mound. Cameco responded that the material that would be placed in the mound would have to be sized appropriately for placement. CNSC staff noted that it is possible that Cameco may choose to do so, but it is not required by the PDP.
20. The Commission inquired about the cost of transportation of goods from the Port Hope Conversion Facility to Blind River. Cameco responded that the associated costs of transportation have been included in the PDP for the Port Hope Conversion Facility.
21. The Commission sought further clarification on the definition of safe state of closure. CNSC staff responded that while there is currently no formal definition of safe state of closure, the intention of a safe state of closure to reduce the inventories of hazardous materials and nuclear substances from a facility such that the facility can be put into a state of care and maintenance for a number of years with very little hazard potential. CNSC staff explained that a safe state of closure is an interim activity that results in a stable facility, and allows for the preparation of detailed decommissioning plan and the onset of the process that would lead to a decommissioning license.
22. In response to the Commission's inquiry concerning increased transportation costs, Cameco noted that the increased transportation costs are in large part associated with the diversion of clean materials to a sanitary landfill.
23. The Commission asked whether there has been any consultation with the Municipality or community regarding the proposed PDP and cost estimate. Cameco responded that both the municipality and the Mississauga First Nation were made aware of the fact that the PDP would be developed. Cameco further stated that discussions have been held with the Blind River mayor and town council about what is involved with the PDP, but no public consultations have taken place.
24. The Commission asked if the mayor and town council were satisfied with the information that was given. Cameco replied that the mayor and town council expressed concern that a decommissioning could occur at the site.

Conclusion

25. The Commission has considered the information and submission of the CNSC staff as presented in the material available for reference on the record.
26. The Commission is satisfied that the amended value of the financial guarantee proposed by Cameco is acceptable.

27. The Commission therefore accepts the proposed irrevocable letter of credit for \$36M CDN as the financial guarantee provided by Cameco Corporation for the future decommissioning of the Class IB Nuclear Fuel Facility located in Blind River, Ontario.
28. The Commission notes that any future developments concerning the PDP and cost estimate should be brought before the Commission in the mid-term status report for the Cameco Blind River Fuel Facility in approximately October 2009.

Linda J. Keen,
President
Canadian Nuclear Safety Commission

Date of release of Decision: October 25, 2007