

Record of Proceedings, Including Reasons for Decision

In the Matter of

Applicant Cameco Corporation

Subject Application to amend the value of the financial
 guarantee for the Cigar Lake Project

Hearing
Date March 28, 2008

RECORD OF PROCEEDINGS

Applicant: Cameco Corporation

Address/Location: 2121-11th Street West, Saskatoon, Saskatchewan, S7M 1J3

Purpose: Application to amend the value of the financial guarantee for the Cigar Lake Project

Application received: December 20, 2007

Date of hearing: March 28, 2008

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

Members present: Michael Binder, Chair

Secretary: K. McGee
Recording Secretary: P. Reinhardt

Licence: **Amended**
Date of Release of Decision: April 7, 2008

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Introduction

1. Cameco Corporation (Cameco) operates the Cigar Lake (Cigar Lake) Project mining facility located in northern Saskatchewan under the uranium mine construction licence, UMCL-MINE-CIGAR.01/2009, issued by CNSC January 1, 2008. Cameco operates Cigar Lake on behalf of the Cigar Lake Joint Venture which includes the four following participants:
 1. Cameco Corporation as operator with 50.025% ownership;
 2. AREVA with 37.1% ownership;
 3. Idemitsu Uranium Exploration Canada Ltd. with 7.875% ownership; and
 4. TEPCO Resources Inc. with 5% ownership.
2. The licence condition 1.4 of the current licence requires that Cameco “*maintain a financial guarantee for the decommissioning that is acceptable to the Commission*”.
3. The financial instrument proposed by the Cigar Lake Joint Venture is in the form of irrevocable standby letters of credit in amounts based on the percentage ownership of each owner.
4. Cameco requests that the commission considers the proposed financial guarantee amendment, revised by CNSC staff, in the amount of \$25.4 million dollars (Cdn). Cameco intends to revise their current letters of credit upon the Commission’s acceptance of the proposed financial guarantee. It should take approximately one month to secure the revised irrevocable letters of credit to the domestic partners, and approximately three months to the overseas partners.

Issue

5. In considering the application, the Commission was required to decide, pursuant to subsection 24(4) of the *Nuclear Safety and Control Act*¹ (NSCA):
 - a) if Cameco is qualified to carry on the activity that the amended construction licence would authorize; and
 - b) if in carrying on that activity, Cameco would make adequate provision for the protection of the environment, the health and safety of persons and the maintenance of national security and measures required to implement international obligations to which Canada has agreed.

¹ S.C. 1997, c. 9.

Hearing

6. Pursuant to section 22 of the NSCA, the President of the Commission established a Panel of the Commission to review the application. In establishing the process, a standing panel on procedural matters determined that it was not necessary to hold a public hearing on the matter, and the hearing was conducted by a panel of one commission member, based on written submissions.
7. The Commission, in making its decision, considered information presented for a hearing held on March 28, 2008 in Ottawa, Ontario. During the hearing, the Commission considered written submissions from CNSC staff (CMD 08-H102) and Cameco (CMD 08-H102.1).

Decision

8. Based on its consideration of the matter, as described in more detail in the following sections of this *Record of Proceedings*, the Commission concludes that Cameco is qualified to carry on the activity that the amended licence will authorize. The Commission is also satisfied that Cameco, in carrying on that activity, will make adequate provision for the protection of the environment, the health and safety of persons and the maintenance of national security and measures required to implement international obligations to which Canada has agreed. Therefore,

the Commission, pursuant to section 24 of the *Nuclear Safety and Control Act*, accepts the amendment to the value of the financial guarantee as required by Cameco Corporation's Uranium Mine Construction Licence UMCL-MINE-CIGAR.01/2009 issued to Cameco Corporation for the Cigar Lake Project Mining facility. The licence, UMCL-MINE-CIGAR.02/2009, remains valid until December 31, 2009, unless suspended, amended, revoked or replaced.

9. The Commission includes in the amended financial guarantee the revisions as recommended by CNSC staff in CMD 08-H102.

Issues and Commission Findings

10. In making its licensing decision, the Commission considered a number of issues relating to Cameco's qualification to carry out the proposed activities and the adequacy of the proposed measures for protecting the environment, the health and safety of persons, national security and international obligations to which Canada has agreed.

Qualifications and Protection Measures

11. The Cigar Lake Project is currently conducting phase 1 of their 5 phase remediation plan to bring the Cigar Lake Project facility back to a pre-flood development status. Cameco was required to make application to the Commission for consideration of each phase in the remediation plan.
12. Following a Public Hearing held on the Cigar Lake Project, the Commission published on December 3, 2007 its decision to amend Cameco's construction licence. At that time, the Commission requested in its decision that CNSC staff continue to review the financial guarantee to reflect accurately the current situation of the Cigar Lake Project.
13. The first licence issued to Cameco (December 20, 2004 – December 31, 2007) for the construction of an uranium mine in Cigar Lake requested from Cameco a financial guarantee of \$6.3 million dollars as irrevocable standby letters of credit. This still remains in place today.
14. At a Public Hearing before the Commission on November 1, 2007 Cameco Corporation required an amendment to its Cigar Lake construction licence in order to extend the expiry date of its licence due on December 31, 2007 for an indeterminate period. Cameco proposed a *Preliminary Decommissioning Plan Update* (PDP) with a financial guarantee in the amount of \$15.8 million Canadian dollars which was accepted by the Commission subject to further CNSC staff review. The increase from 6.3 to 15.8 million dollars was attributable to increases in manpower costs and equipment rates, to the construction of new infrastructure such as ponds, boreholes and buildings and to the management of new wastes resulting from the mine inflow.
15. CNSC staff revised and accepted the *Preliminary Decommissioning Plan Update* but requested an amendment to the amount of the construction financial guarantee to increase it to 25.4 million dollars. The increase in the financial guarantee cost is attributed to:
 - a more conservative and increased contingency of 20% on all costs;
 - increased number of staff;
 - increased road access reclamation;
 - the application of 2007 manpower costs and equipment rates;
 - the additional costs for transporting waste rock to McLean Lake for disposal;
and
 - the construction project liabilities extended to planned facilities not yet constructed.
16. Cameco replied to CNSC staff request in a letter, dated December 20, 2007, that it was committed to put in place the necessary irrevocable standby letters of credit as soon as the Commission accepts the proposed financial guarantee in the amount of \$25.4 million dollars.

17. CNSC staff concluded that the proposed financial guarantee meets the underlying principles of CNSC Regulatory Guide G-219, *Decommissioning Planning for Licensed Activities* and CNSC Regulatory Guide G-206, *Financial Guarantee for the Decommissioning of Licensed Activities*, although some minor unresolved issues remain. Full resolution of the outstanding issues concerning the financial guarantee will be incorporated into the next amendment to the Cigar Lake licence expected in 2008. Therefore, CNSC staff recommends that Cameco's financial guarantee in support of the construction licence for Cigar Lake Project mining facility be increased to \$25.4 million dollars.

Application of the *Canadian Environmental Assessment Act*

18. Before making a licensing decision, the Commission must be satisfied that all applicable requirements of the *Canadian Environmental Assessment Act*² (CEAA) have been fulfilled.
19. CNSC staff reported that it had completed an Environmental Assessment (EA) determination. Since the proposed amendments are not for the purpose of enabling a project, CNSC staff stated that there was no requirement for an EA pursuant to subsection 5(1) of the CEAA.
20. The Commission is satisfied that all applicable requirements of the CEAA have been fulfilled.

Conclusion

21. The Commission has considered the information and submission of Cameco Corporation and CNSC staff as presented in the material available for reference on the record.
22. The Commission is satisfied that the applicant meets the requirements of subsection 24(4) of the *Nuclear Safety and Control Act*. That is, the Commission is of the opinion that Cameco Corporation is qualified to carry on the activity that the amended licence will authorize and that it will make adequate provision for the protection of the environment, the health and safety of persons and the maintenance of national security and measures required to implement international obligations to which Canada has agreed.

² S.C. 1992, c. 37.

23. The Commission, pursuant to section 24 of the *Nuclear Safety and Control Act*, amends the financial guarantee for Cameco Corporation's Uranium Mine Construction Licence, UMCL-MINE-CIGAR.01/2009. The licence, UMCL-MINE-CIGAR.02/2009, and financial guarantee remain valid until December 31, 2009, unless suspended, amended, revoked or replaced.
24. The Commission includes in its approval, the recommendations made by CNSC staff in CMD 08-H102.

Michael Binder,
President
Canadian Nuclear Safety Commission

Date of release of Decision: April 7, 2008