



Record of Decision

DEC 20-H101

In the Matter of

Applicant Cameco Corporation

Subject Application for Acceptance of a Revised
Financial Guarantee and Licence Amendment
for Cameco's Key Lake Operation

Date of
Decision July 29, 2020

RECORD OF DECISION – DEC 20-H101

Applicant: Cameco Corporation

Address: Cameco Corporation
2121 – 11th Street West
Saskatoon, Saskatchewan S7M 1J3

Purpose: Application for Acceptance of a Revised Financial
Guarantee and Licence Amendment for the Key Lake
Operation

Application received: October 11, 2019

Hearing: Public Hearing in Writing – Notice of Hearing in Writing
published on April 27, 2020

Date of decision: July 29, 2020

Panel of Commission: R. Velshi, President

Licence: Amended

Revised Financial Guarantee Amount: Accepted

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1.0 INTRODUCTION

1. Cameco Corporation (Cameco) has submitted an application to the Canadian Nuclear Safety Commission¹ (CNSC) for the acceptance of the proposed revised financial guarantee amount for its Key Lake Operation located approximately 570 km north of Saskatoon in northern Saskatchewan. In its application and under subsection 24(2) of the *Nuclear Safety and Control Act*² (NSCA), Cameco also requested that the Key Lake Uranium Mill Operating Licence, UMLOL-MILL-KEY.00/2023, be amended to conform to the standardized CNSC licence format and conditions. Cameco's licence for the Key Lake Operation expires on October 31, 2023.
2. The Key Lake site included two ore bodies, Gaertner and Deilmann, discovered in 1975 and 1976. Open pit mining was conducted between 1981 and 1997. After depletion of these ore bodies, uranium ore was transported from the McArthur River Operation for milling that began at the Key Lake site in 1983 and continues today. The Key Lake Operation processes high grade McArthur River ore slurry, McArthur River mineralized rock (U₃O₈ content between 0.03% and 0.5%) as well as residual special waste rock (U₃O₈ content between 0.05% and 0.19%) from previous mining at Key Lake.
3. Under subsection 24(5) of the NSCA, the Commission may require that operators of uranium mines and mills establish and maintain financial guarantees for the decommissioning of their sites. The current Key Lake licence does include such a requirement. CNSC Regulatory Guide G-206, *Financial Guarantees for the Decommissioning of Licensed Activities*³ provides guidance on the attributes of an acceptable financial guarantee in terms of liquidity, certainty, adequacy of value and continuity.
4. Under *The Mineral Industry Environmental Protection Regulations, 1996*,⁴ the Saskatchewan Ministry of Environment (SMOE) requires that mining and milling operators prepare decommissioning plans and financial assurances for future decommissioning. The CNSC and the SMOE have a memorandum of understanding (MOU) which guides cooperation in respect of decommissioning planning and financial guarantees. Specifically, the MOU stipulates that owners and/or operators of uranium mining and milling operations in Saskatchewan are not required to provide distinct financial guarantees to satisfy both provincial and federal requirements. Rather, the CNSC and the SMOE align and coordinate decommissioning planning and financial guarantee requirements, which are conditionally approved by the SMOE until the Commission accepts the financial guarantee.

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 Statutes of Canada (S.C.) 1997, chapter (c.) 9

³ CNSC Regulatory Guide G-206, *Financial Guarantees for the Decommissioning of Licensed Activities*, 2002.

⁴ RRS c E-10.2 Reg 7

5. During the October 2013 licence renewal hearing for the Key Lake Operation,⁵ the Commission accepted a financial guarantee amount of \$218.3 million based on Cameco's preliminary decommissioning plan (PDP) and preliminary decommissioning cost estimate (PDCE). Letters of credit, with the SMOE as beneficiary, were the financial instruments accepted for the amounts. In accordance with its current licence, Cameco is required to maintain a PDP (licence condition 12.2) and a financial guarantee acceptable to the Commission throughout its licence period, with the financial guarantee to be reviewed and updated every five years (licence condition 12.3). Per the requirements of licence condition 12.3, in August 2018, Cameco submitted an updated draft PDP and a PDCE to both SMOE and CNSC staff in anticipation of updating the financial guarantee amount as a function of the updated decommissioning plan and costing thereof.

Issue

6. In considering the application for Commission acceptance of the revised financial guarantee amount, the Commission was required to decide whether the amount of the proposed financial guarantee is acceptable for the future decommissioning of the Key Lake Operation.
7. In considering the application for the licence amendment, the Commission was required to decide:
 - a) whether Cameco is qualified to carry on the activity that the amended licence would authorize; and
 - b) whether, 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.

Hearing

8. Pursuant to section 22 of the NSCA, the President established herself to preside as a Panel of the Commission to hear the applications. The Commission, in conducting a public hearing based on written materials, considered written submissions from Cameco (CMD 20-H101.1) and CNSC staff (CMD 20-H101). The Commission invited written interventions from persons who have an interest or expertise in this matter, or information that may be useful to the Commission in coming to a decision on Cameco's application; none were submitted.⁶

⁵ CNSC Record of Proceedings, Including Reasons for Decision – Cameco Corporation, *Application for Renewal of the Uranium Mill Licence for the Key Lake Operation*, hearing dates October 1, 2 and 3, 2013.

⁶ Notice of Hearing in Writing - Cameco Corporation - Application requesting acceptance of its revised financial guarantee for the Key Lake Operation - Ref. 2020-H-101, published April 27, 2020.

2.0 DECISION

9. Based on its consideration of the proposed financial guarantee amount, as described in more detail in the following sections of this Record of Decision, the Commission is satisfied with the updated cost estimates for the future decommissioning of the Key Lake Operation and the proposed financial guarantee amount. Therefore,

the Commission accepts Cameco Corporation's proposed revised financial guarantee amount of \$222.5 million for its Key Lake Operation, located in northern Saskatchewan.

10. The Commission directs Cameco to submit to the CNSC, within 90 days of the date of this decision, draft financial instruments for the revised amount as recommended by CNSC staff in the materials submitted for this hearing. The Commission instructs CNSC staff to review and verify that the revised instruments are letters of credit and that the letters of credit meet CNSC acceptance criteria for liquidity, certainty of value and continuity. Existing financial guarantee instruments shall not be withdrawn before CNSC staff-accepted replacement letters of credit in the revised amount are finalized.
11. Based on its consideration of Cameco's licence amendment request, as described in more detail in the following sections of this Record of Decision, the Commission concludes that Cameco satisfies the conditions of subsection 24(4) of the NSCA. Therefore,

the Commission, pursuant to section 24 of the *Nuclear Safety and Control Act*, amends the Uranium Mill Operating Licence issued to Cameco Corporation for its Key Lake Operation located in northern Saskatchewan. The amended licence, UML-MILL-KEY.01/2023, is valid until October 31, 2023.

12. The Commission includes in the amended licence the standardized licence conditions as recommended by CNSC staff in CMD 20-H101.
13. The Commission notes that, with this decision, Cameco's standardized licence is to be a "Uranium Mill Licence" rather than a "Uranium Mill Operating Licence". It is the licensed activities as defined in Part IV) of the licence, rather than the licence type, that provide for the activities that Cameco is authorized to carry out at its Key Lake Operation.

3.0 ISSUES AND COMMISSION FINDINGS

3.1 Financial Guarantee

14. In coming to its decision, the Commission considered issues related to the acceptability of Cameco's proposed revised financial guarantee for the Key Lake Operation. The Commission considered the revised PDP and PDCE submitted to the SMOE and the CNSC for review in October 2019. The Commission notes that, in accordance with the MOU between the CNSC and the SMOE, either party can put into effect the financial guarantee in specified circumstances. The Commission also notes that the SMOE is the beneficiary of the existing financial guarantees for all operating and decommissioning uranium mines and mills in Saskatchewan, and anticipates that any updated instruments will also name the SMOE as beneficiary.
15. In its written materials, CNSC staff informed the Commission that, in accordance with licence condition 12.3 of its current licence, Cameco submitted an updated PDP and PDCE to the CNSC in August 2018, and that the updated PDP contained no significant modifications or deviations from the PDP accepted by the Commission in 2013.
16. Cameco reported that, following the August 2018 submission of the updated PDP and PDCE, the SMOE and the CNSC submitted comments to Cameco. Cameco further reported that both documents were revised to address these regulatory comments and resubmitted to SMOE and the CNSC in October 2019. Cameco reported that its proposed revised financial guarantee amount for the Key Lake Operation was \$222.5 million and that it was based on the revised and updated PDP and PDCE.
17. CNSC staff reported that the revised updated PDP, submitted in October 2019, met the specifications of CSA N294-09, *Decommissioning of facilities containing nuclear substances*⁷ and G-219, *Decommissioning Planning for Licensed Activities*.⁸ CNSC staff noted that Cameco adequately addressed the SMOE's comments and that both the CNSC and the SMOE were satisfied that the revised updated PDP and PDCE meet federal and provincial regulatory requirements.
18. CNSC staff reported that the revised financial guarantee amount, increased from \$218.3 million to \$222.5 million, was based on a "decommissioning tomorrow" scenario, and included activities and facilities planned for the Key Lake Operation up to the next financial guarantee update which is anticipated to be submitted by Cameco during the 2023 licence renewal. CNSC staff also reported that the slight increase in the PDCE was primarily to account for inflation.
19. Cameco's submission indicated that, upon receipt of Commission acceptance of the revised financial guarantee amount, it would begin the process of revising the financial instruments accordingly. In its written materials, CNSC staff informed the Commission that draft letters of credit in the amount of the revised financial guarantee of \$222.5

⁷ N294-09, *Decommissioning of facilities containing nuclear substances*, CSA Group, 2009.

⁸ CNSC Regulatory Guide G-219, *Decommissioning Planning for Licensed Activities*, 2000.

million would be submitted to the CNSC should the Commission accept the amount. CNSC staff informed the Commission that Cameco's proposal to continue using letters of credit as financial guarantee instruments met the specifications of G-206.

20. Following its consideration of the submissions from Cameco and CNSC staff, the Commission is satisfied with the proposed financial guarantee amount. The Commission has not seen, and Cameco has not submitted, the draft replacement financial instruments. Understanding that the updated financial instruments will be letters of credit, as indicated in CNSC staff's submission, the Commission instructs CNSC staff to review and verify that the revised instruments are letters of credit and that they meet CNSC acceptance criteria for liquidity, certainty of value and continuity. Existing financial guarantee instruments shall not be withdrawn before CNSC staff-accepted replacement letters of credit in the revised amount are finalized.

3.2 Licence Amendment

21. The Commission reviewed the proposed licence amendment to Cameco's licence for the Key Lake Operation, as detailed by CNSC staff in section 2.4 of CMD 20-H101. Cameco submitted that it was applying for this licence amendment to update its licence to reflect the CNSC's modern standardized licence conditions.
22. CNSC staff submitted that standardized licence conditions in all CNSC licences would promote clarity and consistency of language, and that the proposed licence amendment would not have an impact on Cameco's licensing requirements for the Key Lake Operation. CNSC staff also submitted that, if approved by the Commission, the licence conditions handbook (LCH) for the Key Lake Operation would be updated to reflect the standardized text being used in LCHs for uranium mines and mills licensees.
23. Following its review of the information submitted, the Commission is satisfied that the proposed licence amendment to include standardized CNSC licence conditions is acceptable and makes no substantive difference to the licensed activities that are authorized by the licence.

4.0 CONCLUSION

24. The Commission has considered Cameco's request for the approval of its revised financial guarantee amount and proposal to update its financial guarantee instruments for the Key Lake Operation. The Commission has also considered Cameco's application to amend its licence to include standardized CNSC licence conditions.
25. The Commission concludes that the revised PDP and PDCE provide a credible cost estimate for the future decommissioning of the Key Lake Operation, and that the proposal for financial guarantee instruments consisting of letters of credit will be, subject to CNSC staff verification, adequate. The Commission is satisfied that Cameco has satisfied the

requirements of licence condition 12.3 of UMLOL-MILL-KEY.00/2023.

26. Therefore, the Commission accepts Cameco Corporation's proposed revised financial guarantee amount of \$222.5 million.
27. With this decision, the Commission directs Cameco to submit to the CNSC, within 90 days, revised letters of credit for the revised financial guarantee in the amount of \$222.5 million. During its review of the materials submitted for this hearing, the Commission noted that the licence conditions handbook (LCH) associated with this licence does not include information about the financial guarantee amount nor the instrument(s). The Commission recommends that this information be included in the LCH to ensure clarity and transparency in respect of the financial guarantee licence condition.
28. In regard to Cameco's licence amendment application, the Commission is satisfied that Cameco meets the test set out in subsection 24(4) of the *Nuclear Safety and Control Act*. That is, the Commission is of the opinion that Cameco is qualified to carry on the activity that the proposed 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.
29. Therefore, the Commission, pursuant to section 24 of the *Nuclear Safety and Control Act*, amends the Uranium Mill Operating Licence issued to Cameco Corporation for the Key Lake Operation located in northern Saskatchewan. The amended licence, UML-MILL-KEY.01/2023, is valid until October 31, 2023.
30. The Commission includes in the amended licence the standardized licence conditions as recommended by CNSC staff in CMD 20-H101.

Velshi,
Rumina

July 29, 2020

Rumina Velshi
President,
Canadian Nuclear Safety Commission

Date