

Record of Proceedings, Including Reasons for Decision

In the Matter of

Applicant Cameco Corporation

Subject Application to Amend the Cigar Lake Project's
Financial Guarantee

Hearing Date February 25, 2009

RECORD OF PROCEEDINGS

Applicant: Cameco Corporation

Address/Location: 2121 – 11th Street West, Saskatoon, Saskatchewan

Purpose: Application to Amend the Cigar Lake Project's Financial Guarantee

Application received: June 24, 2008

Date of hearing: February 25, 2009

Location: Canadian Nuclear Safety Commission (CNSC) 280 Slater St., Ottawa, Ontario

Members present: M. Binder, Chair

Secretary: K. McGee

Recording Secretary: Pascale Reinhardt

Licence Condition: Requirements met

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Introduction

1. Cameco Corporation (Cameco) has applied to the Canadian Nuclear Safety Commission¹ (CNSC) for the acceptance of its proposed amendment to the financial guarantee for the decommissioning of the Cigar Lake Project mining facility in northern Saskatchewan.
2. Cameco operates the Cigar Lake Project mining facility under the CNSC uranium mine construction licence UMCL-MINE-CIGAR.02/2009, as issued June 19, 2008. Cameco is operator for the Cigar Lake Project on behalf of the Cigar Lake Joint Venture which is comprised of:
 - Cameco Corporation as operator with 50.025% ownership;
 - AREVA with 37.1% ownership;
 - Idemitsu Uranium Exploration Canada Ltd. With 7.875% ownership; and
 - TEPCO Resources Inc. with 5% ownership.
3. Licence condition 1.4 requires that Cameco maintain a financial guarantee for decommissioning acceptable to the Commission. In order to reflect certain increases in the decommissioning plan, Cameco has revised the value of its financial guarantee to \$27.7 million Canadian Dollars, which represents an increase of \$2.3 million dollars to the amount previously approved by the Commission in March 2008.
4. Cameco confirms to the Commission that the members of the Cigar Lake Joint Venture have committed to increase their respective financial guarantee amounts, based on their percentage ownership, in the form of irrevocable standby letters of credit which meet the requirements of Regulatory Guide G-206².
5. 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-206 provides guidance on the attributes of an acceptable financial guarantee in terms of liquidity, certainty of value, adequacy of value and continuity.

Issue

6. In considering the application, the Commission was required to decide if irrevocable standby letters of credit from each of the members of the Cigar Lake Joint Venture, in an amount based on their percentage ownership, totalling \$27.7 million Canadian dollars constitutes an acceptable financial guarantee for the future decommissioning of the Cigar Lake Project mining facility in northern Saskatchewan, pursuant to Condition 1.4 of licence UMCL-MINE-CIGAR.02/2009.

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 *Financial Guarantees for the Decommissioning of Licensed Activities*, Regulatory Guide G-206, published by the Canadian Nuclear Safety Commission, Catalogue number CC173-3/2-206E

Hearing

7. The Commission, in making its decision, considered information presented for a hearing held on February 25, 2009 in Ottawa, Ontario. During the hearing, the Commission considered written submissions from CNSC staff (CMD 08-H144) and Cameco (CMD 08-H144.1).

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, pursuant to section 24(5) of the *Nuclear Safety and Control Act*, and Condition 1.4 of *Uranium Mine Construction Licence UMCL-MINE-CIGAR.02/2009* issued to Cameco Corporation, accepts the irrevocable standby letters of credit provided by each of the members of the Cigar Lake Joint Venture totalling \$27.7M CDN, for the future decommissioning of the Cigar Lake mining facility located in northern Saskatchewan.

Issues and Commission Findings

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

Financial Guarantee History

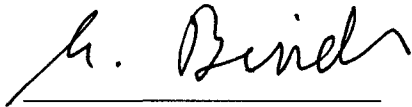
10. A financial guarantee of \$6.3 million dollars (Cdn.) was part of the *Uranium Mine Construction Licence UMCL-MINE-CIGAR.00/2007* issued to Cameco in December 2004. That amount represented the “end of construction” decommissioning costs at that time. When a renewed licence, *UMCL-MINE-CIGAR.01/2009* was issued in January 2008, a new financial guarantee amount of \$15.8 million dollars, revised by CNSC staff, was accepted by the Commission on November 1, 2007 and included in the licence. The reasons to increase the financial guarantee from \$6.3 million to \$15.8 million dollars were the following:
 - the application of 2006 manpower costs and equipment rates;
 - the addition of new infrastructure such as ponds, boreholes and buildings; and
 - the increasing costs associated with new wastes resulting from the mine inflow.

11. The financial guarantee accepted by the Commission in November 2007 was subject to further CNSC staff revision and updated to an amount of \$25.4 million. This new guarantee was accepted by a panel of the Commission in March 2008. The financial guarantee increase was attributed to :
 - a more conservative and increased contingency of 20% on all costs;
 - an increase in the number of staff;
 - an increase in road access reclamation and the application of 2007 manpower costs and equipment rates;
 - the addition of costs due to the transportation of potentially acid-generating waste rock to McClean Lake for disposal; and
 - the end of construction project liabilities extended to planned facilities not yet constructed.
12. In June 2008, Cameco proposed a revised financial guarantee of \$27.7 million, an increase of \$2.3 million to the previous guarantee due to the addition of care and maintenance costs between the periods covering the cessation of the mining operations until the issuance of a decommissioning licence. The increase in the value of the guarantee can be explained by the fact that during this period, certain contaminated material would have to be placed underground before allowing the underground workings to flood.
13. Based on a comprehensive review of Cameco's submission, CNSC staff recommends that the "end of construction" financial guarantee of \$27.7 million dollars be approved by the Commission. The financial guarantee proposed by Cameco is also considered acceptable by the Saskatchewan Ministry of Environment.
14. CNSC added that an ongoing monitoring of the guarantee will continue and that it will assess the adequacy of this condition if necessary.

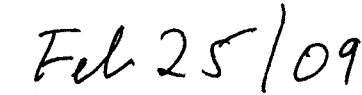
Conclusion

15. The Commission has considered the information and submission of the CNSC staff as presented in the material available for reference on the record.
16. The Commission is satisfied that the amended value of the financial guarantee and the proposed instruments to secure the amount, as proposed by Cameco, are acceptable.

17. The Commission therefore accepts the proposed irrevocable standby letters of credit totaling \$27.7M CDN as the financial guarantee provided by the Cigar Lake Joint Venture members for the future decommissioning of the Cigar Lake mining facility located in northern Saskatchewan.



Michael Binder
President,
Canadian Nuclear Safety Commission



Date