STATEMENT OF

DAVID W. GEISER

DEPUTY DIRECTOR FOR LEGACY MANAGEMENT

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Good morning Mr. Chairman, and distinguished Members of the Committee. My name is David Geiser, and I am the Deputy Director of the Office of Legacy Management (LM) at the Department of Energy (DOE). The Office of Legacy Management is responsible for ensuring that DOE's post-closure responsibilities are met by providing long-term surveillance and maintenance, records management, workforce restructuring and benefits continuity, property management, and land use planning. By managing post-closure responsibilities, LM has better positioned the Department to continue focusing DOE programs and personnel on achieving the diverse missions of the Department.

Legacy Management Mission and Vision

LM's mission is to manage the Department's post-closure responsibilities and ensure the future protection of human health and the environment. Our mission ensures Departmental legacy responsibilities are managed in a manner that best serves Department workers, communities, and the environment. This vision includes several elements:

- Human health and the environment are protected at closed sites, through effective environmental surveillance and maintenance. This often involves cooperative partnerships with stakeholders and State, Tribal, and local governments.

- Key records and critical information are preserved, protected and made publicly accessible.

- Effective oversight and management is provided for health and pension benefits of the Department's former contract workforce, who have been instrumental to the success of our missions; and

- Federal land and other assets are returned to the most beneficial use consistent with the Department's mission requirements.

In response to the Committee's request, I am here today to discuss two topics: (1) the Department's responsibility for managing former inactive uranium milling sites; and, (2) our uranium leasing program.

Long-term Management of Uranium Milling Sites

Under the Uranium Mill Tailings Radiation Control Act of 1978, as amended (referred to as the "the Act" or "UMTRCA"), Public Law 95-604, DOE was responsible for cleaning up inactive uranium milling sites that were abandoned at the time the legislation was enacted, in cooperation with the state in which the tailings were located, and subject to the oversight of the U.S. Nuclear Regulatory Commission (NRC). Sites that were operating in 1978, or thereafter, are cleaned up by the operator under NRC or State oversight.

LM's primary responsibility is to manage the Department's roughly 90 closure sites and the liabilities associated with retired contractor workers from those sites. The 90 closure sites include approximately 30 former inactive or active uranium milling sites that have been

remediated under either Title I or Title II of the UMTRCA. At the former uranium milling sites, tailings or waste were produced by the extraction or concentration of uranium or thorium ore. LM provides long-term surveillance and maintenance for sites that are transferred to the Federal Government for custodial care. For the UMTRCA sites, this includes both surveillance and maintenance of the disposal cells and maintenance of contaminated groundwater treatment activities initiated under the clean-up phase.

The Uranium Mill Tailings Radiation Control Act of 1978 Authorized DOE's Cleanup of the Former Inactive Uranium Milling Sites and Certain Nearby Contaminated Properties

Title I of UMTRCA originally required the cleanup of 22 inactive uranium milling sites and nearby contaminated properties in the vicinity of the milling sites that contained residual radioactive materials from the milling sites. UMTRCA was amended a number of times: to extend UMTRCA's expiration date; to add the Edgemont, South Dakota vicinity properties (but not the milling site); and most recently, to add the Moab, Utah milling site, including any contaminated vicinity properties.

Under the Act, DOE's authority for surface (tailings) cleanup at the original 22 milling sites and vicinity properties (including the Edgemont, South Dakota vicinity properties) expired in 1998. DOE's authority for groundwater remediation does not have an expiration date.

DOE remediated the inactive uranium milling sites and vicinity properties in accordance with standards promulgated by the U.S. Environmental Protection Agency (EPA) in 40 C.F.R. Part 192. The regulations provided standards for the cleanup of soil outside structures (radium-226 concentration in soils) and the cleanup of structural interiors (gamma radiation and radon-222). In addition, the regulations established the design standard for the longevity of disposal cells. The regulations also covered the cleanup of contaminated groundwater.

By 1998, DOE had remediated 22 inactive milling sites and a total of 5,335 vicinity properties, including construction of 18 disposal cells. DOE's costs for the cleanup of all 22 milling sites and the vicinity properties totaled $1.476 billion.

Uranium Leasing Program – Introduction

LM currently administers the Department's Uranium Leasing (UL) Program. The original program began in the late 1940s when the U.S. Atomic Energy Commission (AEC), a predecessor agency of DOE, was authorized to withdraw lands from public use to ensure an adequate reserve of uranium and vanadium ores for the nation's defense program. Approximately 720 square miles (460,000 acres) of public lands, primarily in the States of Colorado, New Mexico, Utah, and Wyoming, were withdrawn from mineral entry by the Bureau of Land Management (BLM) for use by the AEC. Subsequent to the withdrawal, the AEC, along with the U.S. Geological Survey, began a massive drilling exploration program to: (1) locate deposits of uranium ores; and (2) identify other areas containing favorable geologic formations. On the basis of that exploration program, the AEC retained approximately 27,000 acres of public lands in withdrawn status, and the remaining lands reverted to the public domain.

The Atomic Energy Act of 1954, as amended, further authorized the AEC to lease the lands under its administrative control to the domestic uranium industry for the exploration, development, and extraction of uranium and associated minerals, and to collect royalties on the production of those minerals. That authorization, included in AEC Circular 8, Revised, was subsequently codified as, *Uranium Leasing Program,* in title 10 *Code of Federal Regulations* Part 760 (10 CFR Part 760).

Today, according to industry reports, the nuclear power industry throughout the world consumes approximately 180 million pounds of uranium annually. Against that demand, world production of uranium is only 80 to 100 million pounds of uranium annually. The balance of the demand has historically been met through the depletion of various industry stockpiles; however, over the last decade, these stockpiles have dwindled, and can no longer sustain the continued demand. The realization of this fact has led to today's renaissance of the uranium mining industry.

It is important to note that the ore reserves associated with the Department's UL Program are currently estimated to be 13.5 million pounds of uranium. This is less than two percent of the United States' known reserves, purported to be nearly 900 million pounds of uranium, which in turn is approximately 8.6 percent of the known world reserves (10.5 billion pounds of uranium).

Uranium Leasing Program History

The Atomic Energy Acts of 1946 and 1954 authorized the original AEC leasing program, which began in 1948 and ended in 1962, when existing purchase contracts met national defense needs. This program yielded more than 1.2 million pounds of uranium and 6.8 million pounds of vanadium and generated $5.9 million in royalties to the Federal Government.

In the early 1970s, the emphasis for the UL Program switched from national defense to preserving the domestic uranium industry and infrastructure in support of commercial nuclear power. The current leasing program was initiated in 1974 with two 10-year lease periods that yielded approximately 6.5 million pounds of uranium and 33.4 million pounds of vanadium. This production generated $53 million in royalties to the Federal Government. Most lease tract production activities occurred prior to 1984; however, some production operations resumed briefly in 1989 and 1990.

In 1994, all leases expired. DOE prepared a Programmatic Environmental Assessment (PEA) of the UL Program to determine what action DOE should take. This PEA was completed in 1995 and culminated in the issuance of a Finding of No Significant Impact (FONSI) for the proposed action, which called for continued leasing of DOE-managed lands for exploration and production of uranium and vanadium ores. Subsequent to the FONSI, DOE offered its previous leaseholders a sole right of refusal for an additional 10-year lease of their respective lease tracts. Fifteen leaseholders accepted DOE's offer and executed new lease agreements. At that time, all other leaseholders reclaimed their respective lease operations and relinquished their rights back to DOE. Subsequent to 1995, two additional lease tracts have been fully reclaimed and relinquished back to DOE.

Between 1994 and 2007, production only occurred during a three-year period, 2003 through 2005. These operations on four lease tracts produced over 65 thousand tons of ore, resulting in production royalty payments of approximately $5 million to the Federal Government

Today's Uranium Leasing Program

LM currently manages 32 lease tracts (25,000 acres), all located within the Uravan Mineral Belt in southwestern Colorado. Thirteen of these lease tracts are actively held under lease, and the remaining 19 lease tracts are currently inactive.

A second PEA was completed in June 2007, and a FONSI was issued in July 2007 for DOE's preferred (Expanded Program) alternative. This alternative included continuing the leasing program for an additional period of time, extending the 13 existing leases for that same period, and expanding the program to include the competitive offering of DOE's inactive lease tracts to the domestic uranium industry. As defined in the PEA, the existing lease tracts contain approximately 300 acres of surface disturbance from the current leaseholders' operations. In addition, up to 410 acres of new surface disturbance is anticipated over the next 10 years from the expansion of program activities.

In March 2008, DOE will extend the 13 active leases for an additional 10-year period. Additionally, on March 7, DOE offered the inactive lease tracts to the domestic uranium industry through a web-based competitive bid solicitation. Over 100 interested parties have requested that they be notified of the pending solicitation. Following the 60-day solicitation period and the subsequent review and evaluation of all bid submittals, new 10-year leases will be executed with the successful bidders.

Coordination with Federal and State Agencies

LM is the managing federal agency for the UL Program and is responsible for administering the program, including compliance with the National Environmental Policy Act and other environmental and regulatory requirements. The Bureau of Land Management (BLM), as the federal surface-management agency, is responsible for managing all other resource uses and non-DOE lease-related activities (oil and gas development, grazing, recreation, etc.) that occur on these public lands. Additionally, DOE coordinates with BLM to review all leaseholder-proposed plans to minimize potential impacts to the various resources.

The Colorado Division of Reclamation, Mining, and Safety (CDRMS) is the lead state agency involved with the UL Program and DOE's leaseholder-proposed activities. CDRMS requires and issues permits for all mineral exploration, mining, and reclamation activities conducted within the State of Colorado. DOE coordinates with CDRMS to review all leaseholder-proposed plans and monitor all subsequent leaseholder activities to ensure compliance with applicable statutes, rules, and regulations. CDRMS regulations include provisions for applicable reviews by all local agencies, the general public, and other interested stakeholders.

Calculation and Payment of Royalties

As mentioned, DOE collects royalties from the UL Program. Each leaseholder is required to pay a lease-specific annual royalty to DOE to maintain rights to the lease. In addition to the annual royalty, each leaseholder is required to pay a production royalty to DOE on all ores produced from the lease tract. The production royalties are established as a bid-percentage of the fair market value of the ore, which in turn is calculated from the quarterly weighted average price of uranium (derived from the long-term and spot market prices for uranium) and the quarterly average price of vanadium. The bid-percentage is established by each potential leaseholder as the percentage amount they are willing to pay to obtain the lease, recognizing that the successful bidder is generally the qualified bidder offering the highest royalty bid percentage. During the 1974 lease solicitation, the successful bids ranged from approximately four percent to over 36 percent. The range of the bids is, in part, dependent on the estimated value of the ore (quantity and quality), size of the lease tract, and proximity to milling sites.

As the UL Program goes forward, DOE will receive an aggregate amount of $500,000 annually from its leaseholders in the form of minimum annual royalty payments. This amount serves to offset the cost for DOE to administer the program. DOE will also receive production royalties from its leaseholders for all ores produced from the lease tracts; the 2007 PEA estimated that these future production royalties could total $10 million annually, once lease operations reach previous production levels (estimated at 150,000 tons of ore at prices comparable to those seen in the first quarter of 2007—$80 per pound of uranium and $6.60 per pound of vanadium).

Mining Reclamation Activities

Each leaseholder is required to reclaim its operations in accordance with all applicable statutes, rules, and regulations and to the satisfaction of the DOE Realty Officer. This typically includes: (1) permanent closure of all mine portals, ventilation shafts, and other openings; (2) demolition and removal of all site structures and utilities; (3) identification of bulk radiological materials and burial of those materials below grade; (4) recontouring of the site, including mine-waste-rock materials to closely resemble and blend in with the existing topography; (5) redistribution of stockpiled surface soil materials back over the mine-site area; and (6) reseeding all disturbed areas with an approved, native seed mix.

In the event a leaseholder defaults on its responsibilities, DOE's lease agreements require each leaseholder to post a reclamation-performance bond (payable to DOE) in an amount adequate to cover the final reclamation of all leaseholder operations. DOE, through experience gained from the successful reclamation of the Department's own legacy abandoned uranium mine sites (initiated in 1994 and completed in 2001), establishes the required bond amounts on a site-by-site basis and includes such factors as the type of operation being proposed and the location, acreage, and topography of the area to be disturbed. These bond amounts are calculated such that DOE could subcontract all final mine-site reclamation activities at no cost to the Government. Additionally, the bond amounts are reviewed periodically and revised as the leaseholder's operations change.

CDRMS also requires that a reclamation-performance bond be posted for all mineral exploration and mining activities conducted within the State of Colorado. CDRMS routinely reviews the bond amounts established by DOE, and if it determines that DOE's bond is sufficient to cover all necessary reclamation costs for the leaseholders' operations, then CDRMS can (and often will) establish its bonding amount at a minimal level. DOE and CDRMS coordinate the oversight of reclamation activities to ensure that both agencies are satisfied once final reclamation is complete.

Conclusion

In closing, LM's primary responsibility is to manage the Department's roughly 90 closure sites and the liabilities associated with retired contractor workers from those sites. The 90 closure sites include approximately 30 former inactive and active uranium milling sites that have been remediated under either Title I or Title II of UMTRCA. In addition to this primary mission, the Office of Legacy Management administers the Department's UL program. The UL program currently covers 32 lease tracts in southwestern Colorado and accounts for less than 2 percent of the country's known uranium reserves. We manage that leasing program in accordance with 10 CFR Part 760, and in cooperation with the U.S. Bureau of Land Management and the State of Colorado.

Mr. Chairman and distinguished Members of the Committee, this concludes my statement.