

Mark S. Pelizza

3217 Breton Drive
Plan, TX 75025

Telephone: 214-683-8889
email: mspelizza@msn.com

January 22, 2015

David Henderson
U.S. Department of Energy
Office of Nuclear Energy
Mail Stop NE-52
19901 Germantown Rd.
Germantown, MD 20874-1290

Re: Excess Uranium Management: Effects of DOE Transfers of Excess Uranium on Domestic Uranium Mining, Conversion, and Enrichment Industries

Dear Mr. Henderson:

On behalf of myself, a 36 year veteran of the domestic uranium industry, I appreciate the opportunity to provide input into the Department's management of the federal excess uranium inventory. For two decades I have been active with the Uranium Producers of America (UPA) as its past President and as an active member in all of their endeavors involving uranium issues and the federal government. UPA has consistently participated in uranium disposition policy development and commented on the flaws in the Department's the Secretarial Determination process. Moreover, I am aware that the UPA will provide a response to the subject RFI. UPA has access to highly regarded uranium industry market experts to assist in their analysis so their comments should be seriously considered by the Department. With that, I support the UPA's past comments and their response to this request for information.

My comments today are personal, as I have been directly impacted by the drastic drop in uranium prices over the past decade. Over the past decade DOE has been disposing of surplus uranium inventory into the commercial market, now at an accelerated rate estimated at 7 million pounds per year - exceeding total US production by a large margin. While there are several factors that have impacted the uranium market, common sense says that dumping large quantities of price-insensitive supply into a soft market will only worsen that market. Surplus government inventory certainly is certainly price-insensitive and the volume is significant.

As a result in the drop in uranium prices, my employer of over 34 years, Uranium Resources, Inc., was forced to restructure to cut costs, a move that ended my long career with the company. Uranium Resources, Inc., and a number of other producers, have either cut back or eliminated their production because of low market uranium prices. In addition to me, I have seen many people with years of uranium recovery expertise move on to other careers or retire. In other words, our country is losing its uranium recovery skill set. The loss of this intellectual capital will be hard felt in the event that ramping up domestic uranium production becomes a priority in the future. It also undermines the need for our country to become energy secure vis-a-vis uranium production. In other words, unless this trend is halted, and reversed, the United States will soon find itself with little to no domestic uranium production, and little expertise to bring it back on. Energy security becomes a risk because the fuel for about 20% of

our nuclear powered carbon free electricity will either be from limited inventory or imported; some imported from reliable sources, some not so reliable. To me this seems like poor energy policy indeed.

It seems that our country would be well served if DOE were to consider a strategy that both allows for the responsible disposition of inventory and the maintenance of a reliable domestic uranium inventory. Based on my personal experience working with the Department of Commerce some 20 years ago, I recommend DOE investigate a matched sales arrangement (similar to the successful 10-year matched sales provision in the 1990's Russian Suspension Agreement Amendment) wherein purchases of material sourced from DOE inventories are matched in kind by newly produced material of US origin and sold as a unit. As was with the matched sales provision to the Russian Suspension Agreement, the expressed goal would be to incentivize new domestic uranium production by pairing like volumes of price-insensitive DOE material with newly produced price-sensitive domestic uranium.

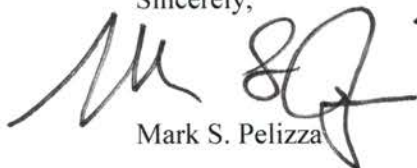
For example, if DOE were to transfer 7 million pounds U_3O_8 per year, up to 7 million pounds of new production would qualify for matched sales. Presumably the DOE material would be obtained for discount and the newly produced domestic uranium would be valued at a premium equal to the DOE discount in the sale of the matched unit. (Hypothetical example: $\$60 \text{ lb. market price} = (\$50 \text{ lb. DOE U} + \$70 \text{ lb. new U})/2 = \60 lb. unit sale . The economics of the project producing the new uranium would have been improved a net of \$10 lb.)

Who would benefit most from this program? Any domestic producer with new production capacity that is not committed to existing long term contracts. This could be a newly permitted domestic project that was ready to begin development. This happened historically during the Russian matched sales period. Matched sales was the mechanism that allowed the Smith Ranch Project the largest in situ project in the US, now owned by Cameco, to get the contracts needed to finance and develop the project. Another potential beneficiary may be a developed uranium project with uncommitted reserves and capacity, perhaps one that is on standby, or is going into standby because of the currently depressed uranium market. The project could be brought back on line. In either case the result would be jobs and domestic energy security.

The government and ultimately the American taxpayer would also benefit from such a program by enhancing the value of the surplus inventory. As a unit, the matched uranium would be sold by a for profit entity with a vested interest in maximizing the sales price, likely into long term contracts. A utility, confident in the secure source of supply, would be amenable to these type of long term contracts. Finally, the American taxpayer, who paid for the inventory to start with, would receive maximum value for the surplus inventory. A win - win - win scenario.

Thank you for the opportunity to comment on the future of excess government uranium management. I do hope that DOE can achieve a common sense solution such as the one suggested herein to assure that the domestic uranium mining industry does face extinction.

Sincerely,

A handwritten signature in black ink, appearing to read 'M. S. Pelizza', with a small dot at the end of the signature.

Mark S. Pelizza

Cc: Dr. Peter B. Lyons - Assistant Secretary for Nuclear Energy