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**Healthy Environment ALLIANCE of Utah**

68 S. Main St, Suite 400 Salt Lake City, Utah 84101 (801) 355-5055

March 22, 2011

Dear Mr. Jones:

We're writing to raise a few salient points relating to two applications for permanent change of water – a35402 filed by the Kane County Water Conservancy District and a35874 filed by the San Juan Water Conservancy District – for the provision of water from the Green River for proposed nuclear power reactors.

We'd like to discuss several issues that we think are relevant, several of which flow directly from a new document of which you may be unaware, as you review this water rights application to ensure it meets state law.

1. The first issue impacts whether the plant is "economically feasible" and whether "the applicant has the financial ability to complete the proposed works," as is required by Utah Code (Title 73-3-8). We believe the proposed project may very well not meet these criteria. As evidence, we share a recent article from a nuclear power trade journal that offers significant evidence that Blue Castle's plan has little chance of succeeding.

The article is "Startup Says it Will Develop NPP in Utah," in the Feb. 28, 2011 edition of *Nuclear Intelligence Weekly*. We attach the article for your reference.

The article raises questions as to whether Blue Castle is equipped to raise the billions of capital it will need. It also questions whether the startup will be able to garner the complex regulatory approvals that nuclear reactor proposals must obtain. Blue Castle "has raised eyebrows in the industry" in part because of its limited experience with power – let alone nuclear power – and the fact that it is a "small start-up run by a former state legislator..."

*Nuclear Intelligence Weekly* expresses skepticism that Blue Castle has enough funds to even apply to the Nuclear Regulatory Commission for a site permit and construction operation license. Blue Castle itself estimates that process will cost \$100 million. The startup told the trade journal that it plans to pay for the application via cash flow from its subsidiary Willow Creek Pipeline Company.

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Is there any evidence that a pipeline company will produce that much profit over the next couple years? Has Blue Castle produced financial documents to prove that it has enough cash to even apply to the NRC – let alone to build two reactors?

Lastly, the article notes that Blue Castle will need to prove to the NRC that it has cash commitments to build what it has estimated will be a \$13 to \$16 billion project. So far, as the article notes, the only contract that Blue Castle has signed is a non-binding agreement to sell power to a utility serving 4,100 customers in Page, Arizona.

Blue Castle doesn't typically acknowledge this in their promotional materials, but even that one "contract," with the Page utility, is worth little more than words on paper. As evidence, we attach the minutes from that utility's Oct. 2009 board meeting in which the City Attorney assures the utility's board that "there was no financial obligation" to agree to purchase power from Blue Castle.

Blue Castle wouldn't tell *Nuclear Intelligence Weekly* additional details about its finances. We believe Utah law would require Blue Castle Holdings to share such details with the State Engineer to prove its plans are "economically feasible" and that "the applicant has the financial ability" to build two nuclear reactors.

We also note that your office does often raise this issue with applicants. We recently came across a letter from your office dated Feb. 11 this year to a Steve Glass of Mancos Resources (see attached), in which the State Engineer asked the applicant to "submit any information that would show your company has the financial ability to complete the proposed works and any information that would show progress is being made in furthering this project." We applaud that diligence and specifically ask that such vetting be applied to this application as well.

2. Secondly, we wanted to raise the question of whether the state has sufficient information to adequately judge whether the "the applicant has the financial ability to complete the proposed works" and whether the project will "not prove detrimental to the public welfare," as Utah Code requires.

These questions are very difficult or impossible to answer, because Blue Castle Holdings has no intention of building and operating nuclear reactors in Utah. Rather, the company's principles say, they're interested in laying the groundwork for a plant – raising some capital, securing water rights and state and federal approvals – and then turning the project over to another, as-yet-to-be-determined entity.

A *Deseret News* article from several years about Blue Castle's predecessor company notes, "Transition Power won't actually build the plant. Instead, it will sell the license to another company that will build the reactor and operate the plant." Blue Castle's own Web site notes that the company's mission is to, "select, acquire, enhance, and license plant sites... by accumulating the required assets to begin licensing a shovel ready site for the deployment of a new nuclear power production facility."

So who will build the plant on the Green River? Who will operate it? What is that firm's financial backing? Is it stable? Does it have sufficient resources? Who are its investors? How can the state

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possibly judge whether the “the applicant has the financial ability to complete the proposed works”—when the applicant has no intention of completing the proposed works?

Similarly, we wonder how the state can determine if nuclear reactors on the Green River will “not prove detrimental to the public welfare,” given that we don’t know who will build or operate them. What is that company’s health and safety record? Has it been subject to repeated fines and violations? Does it comply with relevant state and federal laws? Has it been proven to have a good relationship with nearby communities? Critical questions that must be asked to judge the project’s impact on public welfare – and questions that cannot be answered.

3. Lastly, in light of the ongoing nuclear crisis in Japan, we would like to raise the issue as to whether nuclear reactors in Emery County would “not prove detrimental to the public welfare,” as state code calls for. Events are unfolding by the moment, but as of today, Japanese officials indicate there have been at least partial core meltdowns in two reactors. 140,000 people who live within 12 miles of the reactors have been evacuated due to fears about radiation poisoning. The International Atomic Energy Agency, using its International Nuclear and Radiological Event Scale that tracks nuclear accidents on a scale from 0 to 7, is classifying the ongoing nuclear disaster as between a 5 and a 6 – the highest event ever recorded except for the Chernobyl disaster.

Will Emery County ever experience an earthquake and tsunami on the scale which northern Japan has experienced? No, of course not, but the unfolding disaster in Japan must teach anyone contemplating nuclear reactors a valuable lesson: Even a well-managed, well-designed and well-constructed reactor in a technologically-advanced country can fail, with the potential for devastating consequences. All it takes is an event that disrupts the flow of cooling water to the reactors and a terrifying meltdown spiral can begin, as we’re seeing in Japan. Potential problems for a Utah nuclear reactor include power outages, drought, extreme weather, terrorist attack or human error. All reactors are vulnerable to this kind of loss of power and cooling accident, regardless of the cause.

We should also note that the Japan crisis is leading leaders around the globe to question and even put a halt to their nuclear power plans. For example, German Chancellor Angela Merkel has ordered immediate safety checks in all nuclear power stations and put a moratorium on extending the lifespan of current plants. Sen. Joseph Lieberman, Connecticut, referring to new nuclear plants, called for putting “the brakes on right now until we understand the ramifications of what’s happened in Japan.” Chinese officials announced the government will suspend approvals for nuclear power stations to allow for a revision in safety standards. In France, the heads of both houses of parliament ordered a legislative investigation into “the future of the French nuclear industry.”

Those leaders are choosing caution and prudence, particularly as the crisis unfolds and we are months from understanding the full extent of the disaster and what went wrong. Let’s contrast this cautious approach with statements from Blue Castle Holding’s principals. The company’s chief strategy officer, Nils Diaz, did an interview on CNN as the disaster was unfolding and said, “I believe that this is a contained accident.” Clearly he was wrong, as the crisis subsequently escalated from a 4 on the International Nuclear and Radiological Event Scale to a 6. Similarly, CEO Aaron Tilton quickly told interviewers that the lessons of Japan “don’t apply” to the Utah context.

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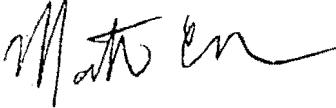
It certainly gives us concern how quickly Blue Castle's leaders were willing to dismiss the Japan nuclear crisis – and that they don't seem to think it would be prudent to learn what went wrong there before choosing a plant design and seeking federal approval. It doesn't seem to us that the leaders of this project are fully committed to building something that is definitively "not detrimental to public welfare."

We believe two related issues deserve related consideration. First, could a lack of water caused by serious drought cause the potential for a serious nuclear accident that would be "detrimental to the public welfare"? Second, does the fact that the Colorado River system supports so much agriculture and drinking water throughout the West give special consideration to whether a pair of nuclear reactors should be built nearby?

We appreciate in advance you taking the time to consider these issues. We know you face a complex and momentous decision, in what we believe may be the only opportunity that a senior Utah official has to judge the wisdom of building nuclear reactors in arid Southern Utah. We are confident you will make that decision after careful and thorough deliberation.

Please do not hesitate to let us know if you have any questions.

Sincerely,



Matt Pacenza  
Policy Director  
HEAL Utah

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had struck a \$35 million deal with the joint venture, China Baotou Nuclear Fuel (CBNF), to design, manufacture and install fuel-fabrication equipment that will allow CBNF to manufacture and sell fuel for AP1000 reactors in China (NTW Jan.24,p4).

The plant will have an initial capacity of 200 tons of uranium per year. It is being built at Baotou city, home of China North, which will be its operator, and is expected to be completed in 2013. According to CNNC, the AP1000 nuclear fuel production line will initially supply fuel for the Zhejiang Sanmen and Shandong Haiyang nuclear power plants in 2014. However, a CNNC planning official tells NTW that by 2020, the plant will have a capacity of 2,000 tons per year.

### A Long Struggle

While China's first reactor at Qinshan started operation in December 1991, China North and China Jianzhong go back much further — they were founded in 1956 and 1965, respectively, to serve some of the country's military nuclear fuel needs. China North researched, developed and produced most of nuclear fuel elements for experimental purposes as well as researching and developing China's nuclear submarines. However, by the 1980s, when Beijing ordered a strategic restructuring that stressed "advances in civil production" with "limits in military production," the company had been in debt for years. By 2000 it was well behind its sibling, China Jianzhong.

Then it broke ground on a heavy-water fabrication plant in 2000 and its fortunes began to turn. That plant, with annual capacity of 200 tons of uranium, was completed in 2002 and now produces fuel elements for two 728 MWe commercial Candu reactors at Qinshan. This fuel fabrication's technology was licensed by Canada's Zircotec Precision Industries, the forerunner to Cameco Fuel Manufacturing.

In 2005, Beijing gave China North the go-ahead for a RMB 510 million (\$77.5 million) PWR nuclear fuel elements production line. Construction on the facility started in September 2007 and production began in 2010, with annual capacity of 200 tons of uranium.

China North aims to expand the production capacity to 400 tons of uranium per year. The project not only boosted China's overall PWR fuel-fabrication capacity, since previously only China Jianzhong's plant in Yibin city provided that service, but breathed new life into the still-struggling China North. "[The] PWR nuclear elements production project is the company's hope for shuffling out of the difficulties completely, and it's also the key step to achieve the company's goal," said Xia Jinlu, the company's general manager. By 2015 (barring a merger), the company is aiming to achieve RMB 1.5 billion in revenue from sales of military products, nuclear fuel assemblies and civilian industry products, rising to RMB 2 billion by 2020. That compares to RMB 800 million in annual sales revenue last year.

Beyond that, China North is also investing RMB 230 million in a new fuel-production line for high-temperature gas-cooled reactors (HTGRs). Construction began in 2009 and the plant is expected to begin operating this year with an annual capacity of 300,000 spherical units (uranium pebbles), although it's not clear where this fuel is destined. China operates a small 10 MW HTGR in Beijing and has plans for a follow-on 225 MW HTGR modeled on the pebble-bed design, but its status is unclear.

### Expansion at Yibin

While China North moves ahead, its prospective partner to the south remains China's largest manufacturing base for PWR fuel. China Jianzhong's operation at Yibin produces fuel for Pakistan's Chashma reactors. In December 2010, the plant produced 5,000 fuel assemblies — only 20 months after it broke through to 4,000 assemblies on Feb. 27, 2009.

Prior to 2008, plant capacity was 200 tons per year. That was doubled to 400 tons in October 2008, but with the number of reactors in China rapidly expanding, the government approved another expansion to 800 tons by 2012.

At present, China Jianzhong supplies reloads for the first-phase and second-phase Qinshan reactors in Zhejiang province, Daya Bay and the Ling Ao first- and second-phase reactors in Guangdong, and the Tianwan nuclear power plant in Jiangsu (NTW Feb.21,p4).

Meanwhile, China Jianzhong has been busy signing fuel-supply contracts for initial cores and reloads with owners of plants under construction. Besides supplying assemblies for the second phase of Ling Ao for the first time this year, next year it will begin supplying the Fujian Ningde plant's first and second reactors, Liaoning Hongyanhe plant's four reactors as well as the Guangdong Yangjiang nuclear power plant. In 2013, Jianzhong will supply fuel elements for Fujian Fuqing nuclear power plant's first and second PWR reactors and for the Fangjiashan two-unit plant, part of the second-phase Qinshan expansion in Zhejiang province. As of 2014, the company will supply fuel elements for the Hainan Changjiang nuclear power plant. ☺

Silvia Yoo, Shanghai



### UNITED STATES

#### Startup Says It Will Develop NPP in Utah

A plan to build a \$13 billion-\$16 billion nuclear power plant in Utah has raised eyebrows in the industry because its developer is a small start-up run by a former state legislator. Blue Castle Holdings (BCH), which was formed in 2007 and has roughly 50 employees — including contractors — is aware of the skepticism, but claims it has what it takes to bring a two-unit, 3,000 MW plant online.

Whether it succeeds or not, BCH has proven adept at attracting potentially useful political connections. Its chief strategic officer is Nils Diaz, who served on the US Nuclear Regulatory Commission from 1996 to 2006, and as its chairman for the last three of those years.

"There have been many issues and many questions raised about what this project is all about. We feel it's important that right up front we address those issues; we will show you that Blue Castle Project is a serious and an ongoing concern," attorney John Mabey, a BCH backer, said at a southern Utah public hearing on the project in January 2010.

BCH's plan is to choose a site, choose a technology, win an Early Site Permit (ESP) and a Construction and Operation License (COL) from the Nuclear Regulatory Commission (NRC), and then sell stakes in the project to utilities and use that

money to build the reactors. BCH Chief Executive Aaron Tilton says more than a dozen companies with combined demand of 4,500 MW are considering participating in the project.

BCH has chosen a site near Green River, in southern Utah, leased water rights from a Colorado River tributary, spent millions on site assessment, and hired consultant Enercon to prepare an ESP application for submission by mid-2012, followed by a COL application about 18 months later. Tilton says getting through the licensing process will take about \$100 million, and that the company has the money.

In June, BCH in June announced that LeadDog Capital, a New York hedge fund, had committed \$30 million over three years in exchange for BCH common stock (BCH is privately held), but Tilton says he hasn't executed the agreement and doesn't need to. He has another plan: In December, BCH bought Colorado-based Willow Creek, which builds oil and natural gas pipelines. Tilton says Willow Creek will provide enough operational cash flow to finance licensing process.

Where BCH raised the money it has spent so far — including to buy Willow Creek — is unclear. Tilton would only say "private investment." The pipeline company is private, and Tilton declined to reveal any information about its finances to NIW.

#### All-Around Entrepreneur

Articles about Tilton generally mention his short stint as owner of a vegetarian restaurant, some construction work and the founding of an ill-fated company called Rockberry, which sold self-help audio tapes for parents with troubled kids and got tangled up in a lawsuit.

Rockberry didn't want to wait for customers to pay their four monthly installments of \$99 for their tapes, so it inked a deal with an Idaho-based Equity Trader-1, which advanced Rockberry at least \$146,733 against future installment payments from Rockberry. But Equity Trader-1 turned out to be a Ponzi scheme and went bust, according to press reports.

Equity Trader-1's creditors in 2003 sued Rockberry to recoup tape payments they said they were owed; the case was dismissed in 2004 with Tilton paying \$700. Equity Trader-1 head Lance Henderson served nearly three years in prison after pleading guilty to five counts of securities fraud, according to a 2006 Las Vegas Review-Journal article. "I didn't really know what they were doing to raise their cash," Tilton told NIW.

Tilton also worked as a consultant for companies planning coal-fired power plants in Utah and Wyoming, neither of which has yet been built. "My job was basically to bring in utility equity participation," he told NIW.

#### Politics and Nuclear Power

In 2004, Tilton decided to run as a Republican for a seat in Utah's part-time state legislature because, he told local papers, as a small businessman, he was fed up with high taxes. In the middle of the race, it came out that his opponent had been busted for soliciting prostitution the previous year; the opponent dropped out, and Tilton took the House seat. He would run and win again in 2006.

Around 2005, nuclear power came up as an issue in the Utah legislature, and Tom Retson, a former GE Nuclear Energy executive then working as a consultant for EnergyPath in North Carolina, read about it in the papers. He ended up traveling to Utah, meeting Tilton and doing some skiing. Tilton was beginning to conclude that the future of coal generation in the area wasn't bright, and Retson got him interested in nuclear energy.

In the state legislature, Tilton served on the House Public Utilities and Technology Committee and the similarly named Public Utilities and Technology Interim Committee, which meets when the lawmakers are out of session. Mike Noel, who would be instrumental to Tilton's nuclear energy project, also served on both panels. By February 2007, Tilton and Retson had decided to launch a nuclear project and Tilton registered a company in Utah to lead the effort: Transition Power Development, predecessor of Blue Castle Holdings.

The Public Utilities and Technology Interim Committee held several hearings in 2007 that focused on nuclear energy policy, and wrote a nuclear construction cost-recovery bill for the 2008 session (it didn't go anywhere). On Sep. 19, the committee held a hearing on nuclear cost recovery, and the same day, Transition Power Development announced a lease with the Kane County Water Conservancy District for about half the water Tilton's planned nuclear plant would need. Noel, aside from serving in the legislature, was and remains executive director of the Kane County Water Conservancy District.

"Without water you really do not have a project," the announcement quoted Tilton as saying. "Signing this lease [laid] the cornerstone for the Blue Castle project." By Dec. 30 of the same year, the company had signed a lease for the other half of the water it needed with the neighboring San Juan County Conservancy District.

Some in Utah howled "conflict of interest," but Tilton dismissed such criticism and still sees no problem. "The basis of a citizen legislature is that you have people that are actually doing things," he told NIW. "Everyone, on that basis, has an interest in some item for their livelihood." The GOP nominated someone else to run for Tilton's House seat in 2008.

#### Showing NRC the Money

BCH can probably get an Early Site Permit for its project, but getting a COL will be more difficult. To do that, the company will have to prove it has — or can get — enough money to build, operate, and decommission the plant. It would also have to prove it has the technical wherewithal to meet NRC's requirements after the plant is built. Says NRC spokesman Scott Burnell: "Just 'paying the fees' is insufficient to get a COL."

"I don't know whether we meet the COL requirements or not," Diaz, the former NRC chairman who is now BCH's Chief Strategic Officer, told NIW last week. But by the time the company applies for a COL, it will be able to, he says.

BCH has a similar issue at the state level. Although BCH has water leases with the Kane County and San Juan County water districts, the districts still need permission from the Utah Division of Water Rights to allow the water to be used for a nuclear plant. Getting that permission requires proving that the Blue Castle plan is "physically and economically feasible."

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Much depends then, on Tilton's efforts to find companies willing to commit billions of dollars to the project. He says he doesn't actually want their money yet. "We don't want equity participation until the [COL] license is granted," he said. "We provide an option on a resource." But he'll apparently need commitments (if not actual cash) from utilities before the Blue Castle project can win a COL.

So far, BCH's only publicly announced agreement with a utility is a memorandum of understanding with Page Electric Utility (PEU) announced in October 2009. PEU General Manager Bryan Hill told NTW last week he knew Tilton before the Blue Castle project (although he said he couldn't remember how), so when he heard about it, he called Tilton and offered to get involved.

PEU is a municipal utility that serves about 4,100 meters in the town of Page, in northeastern Arizona, which has roughly 7,000 residents. By 2019-2020, it could need as much as an additional 30 MW capacity, according to BCH. Problem is, there's no transmission path between Green River and Page, and finding a "contractual path" looks too expensive to be worthwhile, Hill said.

However, the lack of north-south transmission is a broader problem in the western US, and some solutions are in the works which could solve the BCH-PEU transmission problem, too. So Hill isn't giving up yet on participating in the Blue Castle project.

"I don't think it's off the table," he said. "There's no solid commitment, but the interest is there." ☞

Sam Tranum, Washington  
stranum@energyintel.com



## ENRICHMENT

### Usec Reports Bad Year, Predicts Worse in 2011

Usec's net income was \$51 million (87%) lower in 2010 than 2009, despite relatively steady revenues and expenses and a decline in spending on its American Centrifuge Plant (see table). Apparently driving the decline was a \$125 million drop in revenues from the company's core enrichment segment.

SWU sales accounted for 75% of Usec's revenues in 2010, and they were 10% lower than in 2009. "We do see our deliveries fluctuate from year to year," Robert Van Namen, senior vice president of enrichment, explained on the company's earnings call last week. "We do see near-term open demand as being very limited over the next several years." Even as revenues fell, costs increased: Usec's cost of sales per SWU was 6% higher in 2010 than in 2009.

If 2010 was bad for Usec, 2011 looks worse: it's expecting a net loss for the year. The company expects its total revenue in 2011 to be about \$1.7 billion, 17% below 2010's \$2 billion. The enrichment segment is expecting a further \$100 million (7%) revenue drop stemming from a 10% decline in SWU sales against a 3% increase in SWU prices.

Usec also expects to see an \$85 million (36%) decline in uranium sales in 2011 compared to 2010, due to "liquidation of inventory in 2010 and a decline in deferred revenue for uranium delivered in prior periods." The government services segment is

## Quarterly Reports: Usec

(in millions of US \$)	Q4'10	Q4'09	% Chg.	2010	2009	% Chg
Revenues	666.4	467.6	43%	2,035.4	2,036.8	0%
SWU Segment	519.6	300.8	36	1,521.4	1,647.0	-8
Uranium Segment	71.6	41.1	74	236.1	180.7	31
Gov't Services & Other	75.2	56.3	34	277.9	209.1	33
Expenses (Cost of Sales)	616.8	421.7	46	1,877.0	1,832.1	2
SWU & Uranium	546.0	372.2	47	1,623.2	1,640.3	-1
Gov't Services & Other	70.8	49.5	43	253.8	191.8	32
Gross Profit	49.6	45.9	8	158.4	204.7	-23
Advanced Technology Costs	29.9	24.6	22	110.2	118.4	-7
Net Income	9.0	49.5	-82%	7.5	58.5	-87%

Source: Usec filings.

expected to bring in \$150 million in 2011, down 46% from 2010, because Usec's contract for clean-up at the Portsmouth site for the US Department of Energy (DOE) has ended.

Given all this, the company is expecting a gross profit in 2011 of \$70 million to \$80 million. But it will have to subtract from that selling, general, and administrative expenses of about \$60 million, and spending on the ACP in the first quarter alone of \$50 million. Usec didn't give any guidance on the size of its expected loss, but from those numbers, it looks like it could be \$30 million to \$40 million for the year.

One thing that could change Usec's financial picture this year is winning a tails re-enrichment deal from the DOE. Van Namen said on the earnings call Wednesday that his company has had "conceptual discussions" with the DOE about the deal and is "still on that basis right now." He could not say whether a DOE tails re-enrichment contract would have to be bid-out, or could be awarded to Usec on a non-competitive basis, but it seems likely that other enrichers would also be interested in getting a piece of the deal and would push for a bidding process.

The company's future, of course, depends largely on the ACP project, which itself hinges on a DOE loan guarantee. Usec Chief Executive John Welch, under questioning during the earnings call, would not be pinned down on exactly when the DOE might offer Usec a conditional commitment for that loan guarantee. "I think we're very close toward the conditional commitment," he said. "We believe that it can still be closed this year."

That \$2 billion loan guarantee would open the door for as much as \$1 billion in financing from the Japanese export credit agencies and \$125 million from Toshiba and B&W. Of the negotiations with the DOE, Welch said, "It is certainly not a done deal, but I am pleased with the progress made in recent weeks." Once the DOE financing is secure, Usec says it will need \$2.8 billion plus contingency, financing costs, and financial assurance to complete the plant.

Usec sounded fairly confident last week that it would eventually win the loan guarantee. Welch said suppliers were building components for about eight centrifuges per month (each with a capacity of roughly 350 SWU), and that Usec plans to install the additional machines at one of its test loops in the partially completed Ohio plant. Meanwhile, the company will "continue development work in value engineering ... in order to systematically increase the machine's productivity and decrease its manufacturing cost." ☞

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**PAGE ELECTRIC UTILITY  
REGULAR BOARD MEETING  
October 13, 2009**

**CALL TO ORDER:** The regular meeting of the Page Electric Utility Board was called to order at 5:31 p.m. on October 13, 2009 by Chairman Brynn Johns. The meeting was held in the Conference Room of Page Electric Utility, 19 Poplar Street, Page, Arizona.

**ROLL CALL:** Board members present: Chairman Johns, Rick Yanke, Tony Ferrando, Jeff Jones and Vice Mayor Cook. Bob Talbot was excused.

Staff present: General Manager, Bryan Hill; Finance Director, Catherine Foley; and Executive Secretary, Donna Roberts.


City Attorney, Rick Olson, arrived at 5:49 p.m.

**MOMENT OF SILENCE:** The Board observed a moment of silence.

**SWEARING IN OF BOARD MEMBER:** Chairman Johns administered the oath of office to newly-appointed Board member Jeff Jones.

**APPROVAL OF MINUTES:** The September 8, 2009 regular Board meeting minutes were unanimously approved upon a motion by Yanke and second by Ferrando.

**AUDIENCE AND COMMUNICATION:** None.

**UNFINISHED BUSINESS:** Discussion/Possible Action – Ratification of Power Plant MOU: Motion by Yanke, seconded by Ferrando, to approve the power plant MOU with Blue Castle. There was discussion regarding PEU's financial obligation. When asked the City Attorney assured the Board there was no financial obligation. 

The motion carried with a unanimous vote.

Discussion/Possible Action – UAMPS CRC: There was brief discussion, with no action taken.

**NEW BUSINESS:** Discussion/Possible Action – WAPA Letter Agreement #09-DSR-12069: On behalf of the State of Utah, PEU has requested that WAPA complete a Facility Study at Western's Glen Canyon Substation to identify the need for equipment upgrades which will support the requirements of the future Lake Powell Pipeline Project's construction into the existing Glen Canyon Substation. The study will determine the required Western equipment upgrades necessary to allow both PEU and Garkane Power to provide electric

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GARY R. HERBERT  
Governor

GREG BELL  
Lieutenant Governor

## State of Utah

DEPARTMENT OF NATURAL RESOURCES  
Division of Water Rights

MICHAEL R. STYLER  
Executive Director

KENT L. JONES  
State Engineer/Division Director

February 16, 2011

Mancos Resources, Inc.  
c/o Mr. Steve Glass  
36 West Main Street  
Cortez, CO 81321

Dear Mr. Glass,

One of the criteria in Section §73-3-8 of the UTAH CODE allows the State Engineer to approve applications to appropriate water if the applicant has the financial ability to complete the proposed works and the application was filed in good faith and not for the purposes of speculation or monopoly.

In the final review of water right application 91-5150, the State Engineer has determined that additional information is needed to determine if your company meets the criteria outlined in this section. Please submit any information that would show your company has the financial ability to complete the proposed works and any information that would show progress is being made in furthering this project. Please remit this information within 30 days from the date of this letter.

If you have any questions regarding this information, please feel free to contact me at 435-613-3750.

Sincerely,

Marc Stilson, P.E.  
Southeastern Regional Engineer

Cc: Kent Jones, State Engineer, P.E.

Southeastern Region, Price Office, 319 N Carbonville Road, Suite B, P.O. Box 718, Price, UT 84301-0718  
telephone (435) 613-3750 • facsimile (435) 613-3755 • [www.waterrights.utah.gov](http://www.waterrights.utah.gov)

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