

Cotter at the Crossroads

A community grapples with a uranium mill's past, present and future



New revenue opportunities lie in zirconium

Eric Frankowski

The Daily Record News Group

Copyright 2002

CAÑON CITY -- For a \$50 million facility tooled almost exclusively to process uranium from natural ore, a market severely limited for nearly two decades has provided meager business opportunities.

So when the Cotter Corp. had the chance to begin generating a steady stream of revenue by adapting its Cañon City mill to process ore very similar to its traditional stream of material, the company took it.

Milling zirconium was far from Dearborn, Mich.-based CMS Energy's roots in generating electricity. But when the company discovered that 165,000 tons of low-grade Brazilian uranium ore, which it had acquired from the Department of Defense to provide fuel for its nuclear power plants, had high concentrations of the mineral, CMS decided to branch out.

CMS turned to Cotter in January 2000 and contracted with the Cañon City mill to provide the facilities to chemically extract the zirconium, which is used mainly in the ceramics industry.

A CMS business development and marketing manager estimated at the time that the venture could produce between 7,000 and 9,000 tons of high-purity zirconium during the first year, and that production could eventually ramp up to between 15,000 and 18,000 tons annually.

The price for zirconium is roughly \$400 per ton.

According to Cotter officials, they saw a bright future in zirconium and planned to make the mineral their bread and butter. But refining the process and upscaling the mill's pilot plant to full-scale production required a hefty infusion of capital that Cotter did not have readily available.

Enter the Army Corps of Engineers and 470,000 tons of contaminated dirt from Maywood, N.J., which, according to Cotter President Richard Cherry, would provide a steady income.

"This was presented in the business strategy as an adjunct to our processing business," Cotter President Richard Cherry told a state House subcommittee in late March. "The income from the Maywood project is helping fund the processing and development we're doing in zirconium."

He estimated the Maywood soil itself would create only about 12 to 15 jobs at the mill, but more importantly it would allow Cotter to move full-scale in zirconium processing. Zirconium processing would employ about 200 people, he said.

According to quarterly documents filed with the federal Securities and Exchange Commission, CMS abandoned the zirconium recovery project in June "after evaluating its future costs and risk." The

company recorded a \$31 million after-tax loss from discontinuing the operation.

"We are primarily a power plant, electric utility, natural gas utility and pipeline company," said CMS spokesman Kelly Farr. "The investment in zirconium was not core to our future."

Zirconium was only one of numerous peripheral businesses worth hundreds of millions of dollars, including oil and gas exploration in Africa and South America, that CMS scrapped after the SEC began investigating it for Enron-esque business dealings.

As a result of so-called "round-trip" trading, in which no power was ever actually bought or sold, CMS has admitted that it overstated its financial statements for 2000 and 2001 by a combined \$5.2 billion.

Farr said although the zirconium process was successful, "due to CMS's capital constraints, it no longer made sense for us to continue the zirconium operation."

According to Cherry, Cotter is negotiating with CMS to acquire the rights to the zirconium technology and equipment. Those negotiations are at a delicate stage, he said in an interview.

But that puts even more pressure on the mill to get final approval for receiving and disposing of the Maywood soil.

"No one is really willing to put venture capital funding into mineral processing right now," he said. "So we have to be self-funding."

[Return to the Critical Mass home page](#)