

## LES ACTIVITIES RELATED TO DEPLETED TAILS DISPOSITION

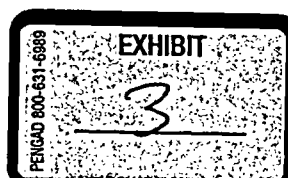
In the handling of uranium hexafluoride (UF<sub>6</sub>) and depleted uranium (DU), as well as in the handling of all other materials used in the Hartsville Enrichment Facility (HEP), LES is obligated to meet, and indeed is committed to meeting, stringent health, safety, and environmental standards. These include standards established at the federal level by the Nuclear Regulatory Commission (NRC), the Environmental Protection Agency (EPA), and the Department of Transportation (DOT), as well as standards established at the state level by the Tennessee Division of Air Pollution Control, the Tennessee Division of Water Pollution Control, and the Tennessee Division of Solid and Hazardous Waste Management. The regulatory standards that LES is obligated to implement are described in great detail in LES's License Application, and specifically in the Environmental Report.

The License Application will also include specific details on LES's plans for the disposition of depleted tails. As required by the NRC, we will be presenting what the NRC refers to as "plausible strategies," so that the public can review and understand the alternative disposal strategies that, from a health and safety perspective, are available to LES for the ultimate disposition of depleted tails. The requirement for the applicant, LES, to describe "plausible strategies" is a condition imposed by the NRC to ensure that, prior to the issuance of a license, the NRC satisfies itself that there are technically and environmentally acceptable disposal options available for the ultimate disposition of tails. The License Application will also address LES's commitment to have in place a financial assurance mechanism before any radioactive materials are brought to the facility. This financial assurance mechanism, which must be sufficient to decommission the facility itself and to dispose of any depleted tails that will be generated, is to ensure that the cost of these activities will be fully funded. This obligation, which is comparable in concept to a performance bond, is a condition of receiving a license from the NRC, and will ensure that regardless of what might happen with the LES Partnership, itself, sufficient funds will be available to decommission the facility and remove the depleted tails.

In addition, in view of the concerns expressed by members of the public in the Hartsville area, as well as by representatives of the Four Lake Regional and Industrial Development Authority, LES has committed to a number of limitations that go beyond what is required by the NRC with regard to the storage and disposition of depleted tails. In particular, LES has agreed to an overall limit on the amount of depleted uranium that can be stored at the HEP, as well as inspection and enforcement mechanisms to ensure that the limitation is satisfied. The overall limitation will be reflected in LES's License Application and, as such, will become a condition of the license issued by the NRC. This limitation will also be referenced in LES's purchase agreement with Four Lake, and thereby will become legally enforceable as part of the purchase agreement.

Finally, in October of 2002, LES initiated an in-depth study of tails disposition, with the establishment of a "Tails Disposition Study Team" (TDST). The

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focus of the TDST is to identify, evaluate, and prioritize the existing and prospective tails disposal options, including the most cost-effective options currently available in the U.S. that do not necessitate reliance on the U.S. Government for a solution to tails disposition. The purpose of this study, which will be conducted in parallel with the NRC licensing effort and will be completed prior to the commencement of operations of the HEP facility, is to go beyond the requirements imposed by the NRC for "plausible strategies" to actually identify and prioritize the most effective, cost-efficient tails disposition alternatives among various "plausible strategies" that might be available to LES. The plan that will emerge from this effort will include a detailed description of an optimized tails disposition process, including the specific location or locations to which depleted tails will be shipped for either permanent storage and/or disposal. This detailed plan, including estimated costs for each element, will be provided to the Four Lake and Trousdale County officials for their review and comment prior to the transportation of any UF6 feed material to the HEP site, to ensure compliance with the conditions of the land transfer operating agreement.

LES has assembled a team of independent experts to conduct the TDST study. The individual members of the team, together with a summary of their education, experience, and credentials, are attached.

Upon the submission of LES's application on January 30, 2003, the document will be available for public review and inspection. Upon receipt of the application, the NRC will conduct a thorough "acceptance review" to ensure that the application addresses all required elements of NRC's regulations. Upon the completion of NRC's acceptance review, NRC will schedule site visits and conduct "scoping meetings" in the Hartsville area to solicit comments from interested members of the public on issues addressed in LES's environmental report. In addition, upon the completion of NRC's acceptance review, NRC will publish a formal notice inviting interested members of the public to participate in the formal public hearing process on the application. This process, which will be conducted by an independent panel of three administrative judges, is estimated to take 18-24 months, and provides an opportunity for interested members of the public to challenge any aspect of LES's application.