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December 8, 2005

Mr. Larry Brown
Senior Policy Advisor
Under Secretary's Office
U.S. Department of Energy
1000 Independence Avenue, S.W.
Room 7A-219
Washington, DC 20585

Dear Mr. Brown:

As you know, USEC submitted a license application last year to the U.S. Nuclear Regulatory Commission (NRC) to construct and operate the American Centrifuge Plant in Piketon, Ohio, achieving one of the milestones specified in the 2002 DOE/USEC Agreement. During the licensing process, the NRC provided a request for additional information (RAI) regarding USEC's estimate for the cost to dispose of depleted uranium.

Our examination of the available information, including the estimate provided by DOE to Louisiana Energy Services (LES) for the cost of disposing of LES's tails, has led us to conclude that the unit cost to dispose of tails for the American Centrifuge Plant could range between \$3.00/kilogram (kg) uranium (U) to \$4.83/kg U, depending on a number of factors and assumptions. This range is based upon a number of variables such as the total quantity of material processed, location(s) of processing, revenue from conversion products, assumed inflation rates, contingencies and management reserves, etc. Our analyses assume that we will generate approximately 9,520 metric tons of depleted UF₆ annually at full operational capacity, between 2010 and 2036.

In order to ensure the American Centrifuge Plant licensing process continues smoothly, and in order to ensure that future DOE/USEC milestones are met, USEC determined that the most expedient resolution of the NRC's RAI was to utilize the tails disposal cost estimate provided in the DOE's March 1, 2005 letter to LES. Based on DOE's letter, the tails disposal cost for the American Centrifuge Plant was proposed to be \$4.83/kg U subject to the review requirements specified in the License Application. This was based on the DOE estimate of \$4.91/kg U (\$3.34/kg depleted uranium hexafluoride [UF₆]) less \$0.08 (the estimated cost of transportation from New Mexico to the DOE conversion facility). We stated to the NRC

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in a letter dated September 2, 2005, that we believe that the \$4.83/kg U should be viewed as the conservative upper bound of the range mentioned above. USEC's tails material would be the same as produced by the proposed LES plant thereby allowing DOE to spread their fixed costs over a larger volume and therefore lowering the per unit costs.

Subsequently, on September 28, 2005, the NRC requested that USEC obtain confirmation from DOE that the estimated unit cost we selected for disposal of tails from the American Centrifuge Plant is adequate. Accordingly, this letter requests that DOE provide USEC with a cost estimate for disposal of tails from the American Centrifuge Plant with a similar level of detail as was provided to LES.

We would appreciate your timely response to this request so that it does not delay the licensing process for the American Centrifuge Plant and thereby jeopardize future milestones.

If you should have any questions, please do not hesitate to contact me.

Sincerely,



Philip G. Sewell