



Exelon

October 25, 2001

President George W. Bush
The White House
Washington, DC 20500

Dear Mr. President:

We generate twenty-five percent of the Nation's nuclear power, and one of our highest priorities is a predictable market for enriched uranium.

Because we are concerned about our nation's energy security, we believe that the United States simply must have available more than a single source of supply for enriched uranium. A consortium of U.S. utilities and other business partners is actively seeking to deploy proven and competitive enrichment technology in the United States. We believe that this technology will result in significantly less expensive uranium enrichment costs and will be viable for the long-term. We have already discussed this proposal with the Vice President's National Energy Policy Development Group, officials from several agencies, Members of Congress, and members of the White House staff. The goal of this consortium is to have an application for a license to build a new enrichment plant filed with the Nuclear Regulatory Commission early next year. At present, only one uranium enrichment services provider operates in the United States. This organization operates the highest cost enrichment plant in the world, has sole control over the HEU Agreement-derived material and is burdened by heavy debt. Continuing to rely upon a single uranium enrichment provider in the United States is clearly not in the public interest. Nor is it in the interest of our customers who pay for our electricity.

However, as we have met with government officials to discuss the current situation, we have come to realize that the Administration is considering several actions to subsidize the existing U.S. enrichment provider. Unfortunately, those actions will make it difficult, if not impossible, for a new, less expensive uranium enrichment enterprise to be brought on-line in the United States, thereby perpetuating an artificially inflated market and diminishing the competitiveness of nuclear power. This development would be directly contrary to stated Administration policy.

We recommend that the Administration be neutral as to which U.S. commercial entity is best able to bring new enrichment capacity online in the United States. In order to be neutral, the Administration must reconsider the current monopoly status granted to the sole U.S. enrichment provider as Executive Agent under the U.S. Russian High Enriched Uranium Agreement of 1993. That monopoly position, by preventing the Russian Federation from other access to the U.S. market, provides an annual subsidization on the order of \$125 million paid in effect by the Russian Federation through prices well below market.

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We support the proposal by the Nuclear and Energy Security Partnership for an additional Executive Agent to purchase a portion of the annual enrichment services derived from the HEU Agreement. This organization proposes to aggregate demand from U.S. utilities and to serve as a transparent clearinghouse of the purchase of enrichment services derived from the HEU Agreement. The advantages of this approach include a business model predicated upon maximizing volumes of material rather than maximizing margins, and as a stand-alone organization it would not subsidize any other ongoing commercial operation. It also would ensure that implementation of the HEU Agreement and the domestic enrichment market would be based on a market rather than a protected monopoly. Perhaps most importantly establishing a second Executive Agent will increase the prices paid to the Russian Federation, making their continued participation in the HEU Agreement more assured.

We understand that an inter-agency group is currently considering the promulgation of new guidance with respect to the HEU Agreement; we look forward to hearing the results of this process. It is our hope that this effort will help to enable a more open, fair and competitive uranium enrichment market. In this environment, our companies can work most effectively to achieve our shared objective of supporting U.S. energy security by developing new uranium enrichment capacity in the United States.

Sincerely,



Corbin A. McNeill, Jr.
Chairman and Co-CEO
Exelon Corporation



Michael S. Tuckman
Executive Vice President
Nuclear Generation
Duke Energy Corporation

Cc: Vice President Cheney
Robert Card
John Bolton
Andrew Lundquist
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