

January 25, 2005

Mr. Steven A. Toelle
Director, Nuclear Regulatory Affairs
U. S. Enrichment Corporation
2 Democracy Center
6903 Rockledge Drive
Bethesda, MD 20817

SUBJECT: PADUCAH GASEOUS DIFFUSION PLANT AND PORTSMOUTH GASEOUS
DIFFUSION PLANT, REVISIONS TO DECOMMISSIONING FUNDING PROGRAM
DESCRIPTION AND DEPLETED URANIUM MANAGEMENT PLAN DATED
DECEMBER 22, 2004 (TAC NOS. L52562 AND L52563)

Dear Mr. Toelle:

We have received your letter dated December 22, 2004, providing a revised Depleted Uranium Management Plan (DUP) and Decommissioning Funding Program Description (DFP) applicable to both the Paducah Gaseous Diffusion Plant (PGDP) and the Portsmouth Gaseous Diffusion Plant (PORTS). The December 22, 2004, letter stated that, upon notification by the U. S. Nuclear Regulatory Commission (NRC) that the revised DFP and DUP are acceptable, USEC would incorporate the revised DUP and DFP in the Application for each plant and submit the appropriate executed financial surety instruments to cover the new cost estimates.

We have completed review of the revised DUP and DFP and have determined that they are consistent with the requirements of 10 CFR Part 76 and are acceptable. The basis for this determination is contained in the staff's Compliance Evaluation Report enclosed with this letter.

In accordance with 10 CFR 2.3 of the NRC's "Rules of Practice," a copy of this letter will be available electronically for public inspection in the NRC Public Document Room or from the Publicly Available Records (PARS) component of NRC's document system (ADAMS). ADAMS is accessible from the NRC Web site at <http://www.nrc.gov/reading-rm/adams.html> (the Public Electronic Reading Room). If you have any questions concerning this letter, please notify me at (301) 415-7254 or e-mail at dem1@nrc.gov.

Please note that on October 25, 2004, the NRC suspended public access to ADAMS, and initiated an additional security review of publicly available documents to ensure that potentially sensitive information is removed from the ADAMS database accessible through the NRC's

web site. Interested members of the public may obtain copies of the referenced documents for review and/or copying by contacting the Public Document Room pending resumption of public access to ADAMS. The NRC Public Document Room is located at NRC Headquarters in Rockville, MD, and can be contacted at (800) 397-4209 or (301) 415-4737 or pdr@nrc.gov."

Sincerely,

/RA/

Gary S. Janosko, Chief
Fuel Cycle Facilities Branch
Division of Fuel Cycle Safety
and Safeguards
Office of Nuclear Material Safety
and Safeguards

Dockets 70-7001 and 70-7002
Certificates GDP-1 and GDP-2

Enclosure: Compliance Evaluation Report

cc: Randall M. DeVault, DOE-Oak Ridge
Patrick D. Musser, Portsmouth
Russell Starkey, Paducah

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*see previous concurrence **ML050250342**

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DOCKETS: 70-7001 and 70-7002

CERTIFICATE HOLDER: United States Enrichment Corporation
Paducah Gaseous Diffusion Plant, Paducah, Kentucky
Portsmouth Gaseous Diffusion Plant, Piketon, Ohio

SUBJECT: COMPLIANCE EVALUATION REPORT: GASEOUS DIFFUSION
PLANT DEPLETED URANIUM MANAGEMENT PLAN AND
DECOMMISSIONING FUNDING PROGRAM DESCRIPTION

PROPOSED CHANGE

By letter dated December 22, 2004, the United States Enrichment Corporation (USEC) submitted requests to the Nuclear Regulatory Commission (NRC) for review and approval of a revised Depleted Uranium Management Plan (DUP) and Decommissioning Funding Program Description (DFP) applicable to both the Paducah Gaseous Diffusion Plant (PGDP), and the Portsmouth Gaseous Diffusion Plant (PORTS). The letter stated that, upon notification from NRC that the revised DUP DFP are acceptable, USEC would incorporate the revised DUP and DFP as a revision to the Applications and submit the appropriate executed financial instruments to cover the new cost estimates.

The latest previous revisions of the DUP and DFP were dated April 11, 2003, and were submitted in connection with USEC's recertification applications. Those revisions were approved by letter from the NRC dated August 4, 2003. USEC is required to review, and revise as necessary, estimates of its decommissioning funding obligations and arrangements annually. The revised DUP and DFP submitted December 22, 2004, satisfy that requirement.

The revised DUP, in Table 1, provides a revised schedule of accumulation of depleted uranium (DU), with a revised estimate of net cumulative USEC-owned DU at the end of calendar year 2005 (CY05) of 13,319 metric tons (MT). This compares with the previous estimates of 23,146 MT for CY05 and 17,591 MT for CY04. The net effect of this change, and the other changes in the DFP, is a reduction in USEC's estimate of the decommissioning funding requirement from the CY04 estimate of \$69.26 million (M) to a CY05 estimate of \$54.6M.

DISCUSSION

Depleted Uranium Management Plan

The revised DUP, in Table 1, provides a revised schedule of accumulation of depleted uranium (DU), with a revised estimate of net cumulative USEC-owned DU at the end of calendar year 2005 (CY05) of 13,319 metric tons (MT). USEC's estimates, which include the period from 2004 through 2008, reflect reduced USEC production of DU for all years and increased net transfers of DU to the U. S. Department of Energy (DOE) in 2004 and 2005. The Table

includes a new column with data on transfers to DOE in compensation for USEC-performed contract work for 2004 and 2005 only.

Other changes to the DUP include: (1) editorial changes to include less precise (more approximate) estimates of DOE's DU inventory; and (2) a revised description of a June 17, 2002, agreement with the U. S. Department of Energy (DOE). The change clarifies that under this agreement, DOE will take title to, as opposed to possession of, DU from USEC operations during USEC's fiscal years 2002 and 2003 (July 1, 2002, through June 30, 2003) and half of the DU generated during USEC's fiscal years 2004 and 2005. A new paragraph is included to describe a second type of DU transfer to DOE, as compensation for contract work performed by USEC.

The primary change to the DUP is the updating of Table 1, "Estimated amount of depleted uranium (DU) generated by USEC and its disposition, in metric tons uranium (MTU) for PORTS and PGDP combined." The updated Table 1 provides new annual estimates for the 5-year period ending December 31, 2008. Table 1 provides, based on estimated annual DU generation and transfers to DOE, an estimate of USEC DU on hand at the end of each year from 2004 through 2008. These values are then used as the basis for the decommissioning funding requirement for DU which is provided in the DFP.

The staff has reviewed the estimates of DU generation, which are within the range of recent historical data, and the estimated transfers of DU to DOE, which are consistent with the agreement with DOE. The staff finds those estimates, and the resulting estimates of USEC DU on hand at the end of each year, to be reasonable and acceptable. Since the other changes to the DUP are editorial and inconsequential, or accurate and supportive, the staff finds the revised DUP to be consistent with the requirements of 10 CFR Part 76 and acceptable.

Decommissioning Funding Program Description

As with the DUP, the revised DFP clarifies that under the June 17, 2002, agreement with DOE, DOE will take title to, as opposed to possession of, DU from USEC operations during USEC's fiscal years 2002 and 2003 (July 1, 2002, through June 30, 2003) and half of the DU generated during USEC's fiscal years 2004 and 2005, and includes a new paragraph to describe a second type of DU transfer to DOE, as compensation for contract work performed by USEC. Other than these changes, Section 2.0, "Scope of USEC's Decommissioning Financial Responsibility," remains the same.

In Section 3.0, "Decommissioning Cost Estimate," a slightly increased figure of \$6.37M is given for Low Level and Mixed Waste for 2005, and a reduced figure of \$42.80M is provided for DU, also for 2005 (decommissioning cost estimates are reviewed and updated annually by USEC and financial surety instruments are revised as necessary). The labor cost for 2004 is unchanged from the previous figure of \$0.5M. After applying a 10 percent contingency, USEC estimates the total decommissioning funding liability for 2005 of \$54.6M. This is a reduction from the 2004 value of \$69.26M.

Section 3.1, "Low Level and Mixed Waste Disposal," provides a detailed itemization of the cost elements included in the overall figure of \$6.37M, and a breakdown between plants. The cost elements included and the calculational methodology are the same as previously approved, and the individual estimates are similar to those for the previous year.

Section 3.2, "Depleted Uranium Disposition," describes the basis for the DU disposal cost estimate of \$42.80M for 2005. USEC uses a slightly increased unit cost for DU disposition of \$3.00 per kg-uranium, based on the June 30, 1998, agreement with DOE. USEC also uses a unit cost for transportation of \$1760 per 8400-kg cylinder, based on previous freight invoices to Starmet CMI. The staff accepts this rationale and the resulting cost estimate.

Section 3.3, "Labor Costs," provides the basis for the unchanged labor cost estimate of \$0.5M.

Section 4.0, "Review and Adjustment of Decommissioning Costs and Funding Levels," contains a USEC commitment to review decommissioning cost estimates and funding levels in October of each year.

Section 5.0, "Decommissioning Funding Mechanism," states that USEC uses payment surety bond(s) and standby trust agreement(s) to assure sufficient funds are available for waste disposal, DU disposition, and facility decontamination and decommissioning. Non-executed versions of the payment surety bond (PSB) and standby trust agreement (STA) are provided in the DFP. Executed documents are provided to the NRC as they are revised and reissued.

The non-executed PSB is unchanged from the previously accepted version and is acceptable to the NRC staff.

The non-executed STA includes only one change, which is made in two places. The change consists of replacing "First Union Bank" with the word "Trustee" on two signature lines. This change is inconsequential and acceptable.

In summary, the staff finds all of the changes in the DFP to be consistent with the requirements of 10 CFR Part 76, and acceptable.

ENVIRONMENTAL REVIEW

Approval of the requested changes is subject to the categorical exclusion provided in 10 CFR 51.22(c)(19) and will not have a significant impact on the human environment. Therefore, in accordance with 10 CFR 51.22(b), neither an environmental assessment nor an environmental impact statement is required for the proposed action.

CONCLUSION

The NRC has reviewed USEC's proposed DUP and DFP, as submitted by letter dated December 22, 2004, for the Paducah GDP and the Portsmouth GDP. The staff concludes that the proposed DUP and DFP are consistent with NRC regulatory requirements and should be approved.

Principal Contributor

Dan E. Martin