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From: Timothy Johnson
To: INTERNET:dggreen01@mchsi.com; Internet:Rkrich@nefnm.com
Date: 1/27/05 2:38PM
Subject: Fwd: Review of LES document

Attached is one of two sets of ICF comments on the DFP that we discussed today.

From: "Dean, Craig" <CDean@icfconsulting.com>
To: "Tom Fredrichs" <TLF@nrc.gov>
Date: 1/19/05 3:03PM
Subject: Review of LES document

Tom,

Per my telephone call, here is ICF's review of the LES submission of January 7, 2005. Your transmittal requested us to respond by today, January 19. If you have any questions about our analysis, please call me at 703-934-3262 or Jen Mayer at 703-218-2717.

Craig Dean
ICF Consulting

<<Review of Remaining RAI Responses.wpd>>

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January 19, 2005

To: Thomas Fredrichs, NRC
From: Liz Gormsen, Jen Mayer, and Craig Dean, ICF Consulting
Subject: Review of Remaining Louisiana Energy Services Responses to NRC's Request for Additional Information on the Revised Closure Cost Estimate for the Proposed National Enrichment Facility in Lea County, NM

On January 7, 2005, Louisiana Energy Services (LES) provided the remaining responses to NRC's October 20, 2004, letter entitled "Louisiana Energy Services - Request for Additional Information on Decommissioning Funding Plan."

LES makes a two-tiered response to NRC's questions about whether adequate contingency had been included in their original cost estimate of \$5.50 per kgU. First, they argue that inflating that estimate by 2.1 percent from 2002 to 2004 dollars raises the cost to \$5.62 per kgU, which they believe is "a reasonable estimate for the purposes of estimating decommissioning costs." Second, they provide updated costs for conversion (\$2.69 per kgU), disposal (\$1.14 per kgU) and transportation (\$0.85 per kgU). They total these estimates (\$4.68 per kgU) and apply a 25 percent contingency to arrive at a cost of \$5.85 per kgU, which is higher and therefore more conservative than their original estimate of \$5.50 per kgU or the inflation-adjusted estimate of \$5.62 per kgU. LES then proposes to use the \$5.85 per kgU cost in their cost estimate.

ICF has reviewed LES's responses and provides the following comments:

- As stated in ICF's memorandum to NRC on January 7, 2005, the applicant appears to be using incorrect GDP implicit price deflators to adjust the cost estimate from January 2002 to January 2004. A 3.67 percent increase should have been used instead of the 2.1 percent increase used by the applicant. This would raise the 2002 cost of \$5.50 per kgU to \$5.70 per kgU. The GDP implicit price deflators used to derive the 3.67 percent increase were obtained from *Economic Indicators* available at: <http://www.gpoaccess.gov/indicators/index.html>.
- It is unclear how the individual cost components (for conversion, disposal and transportation) were estimated because no documentation is provided. LES explains that the "individual cost estimates are based on information from corresponding vendors." However, no further information is provided from which the NRC could confirm the estimates. Without further documentation, ICF has not been able to verify these cost estimates.
- Several of the individual costs are lower than comparable costs from other sources. For example, the \$2.69/kgU conversion estimate that LES identifies is less than the LLNL conversion cost estimate, once revenues generated from selling AHF are removed (\$2.64 + \$0.95). Although LES states that it is "not meaningful" to adjust the LLNL cost estimate, further documentation is needed to verify the revised conversion cost estimate. Further, the UDS 2002 cost estimate of \$3.92, while not broken down into its individual cost components, did not appear to include either transportation or contingency. If this cost estimate is inflated to 2004 dollars, and LES' transportation cost estimate of \$0.85 per kgU is added, the resulting cost would be \$4.91 without contingency or \$6.14 with contingency, which is higher than LES' estimate of \$5.85 per kgU with contingency.

- LES also states that the transportation estimate “is independent of distance traveled and accounts for the different rates for transporting UF_6 or U_3O_8 .” Without further documentation to support this statement, ICF cannot verify the cost estimate for transportation.