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Witness/Panel: Schwartz/Krich
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Other: [redacted]

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MR. LOVEJOY: I see. And who told you it was not an issue in this licensing action?

WITNESS SCHWARTZ: Our reading of the documents that were submitted.

MR. LOVEJOY: So you came to the conclusion that price was not an issue in the ability of the LES facility to compete at any particular price was not an issue in this proceeding?

WITNESS SCHWARTZ: No. That's not what I said. The issue of their being able to compete, obviously requires them to be in a competitive range and as I said earlier the ability for each of the suppliers to offer enrichment services into the market is based on their own determination of whether they are offering material that's competitively priced, but beyond that there was no need to look at the economics.

MR. LOVEJOY: Are you saying you took their word for it, LES, that they could offer product at a competitive price?

WITNESS SCHWARTZ: I guess we did. We certainly didn't look at that ourselves.

[REDACTED]

1 MR. LOVEJOY: Have you undertaken to
2 project what prices for enrichment services will
3 prevail during say the next 30 years?

4 WITNESS SCHWARTZ: Not for LES or as part
5 of this activity.

6 MR. LOVEJOY: You've done that in other
7 activities?

8 MR. CURTISS: Objection, what he has done
9 for other clients is irrelevant to this proceeding.

10 MR. LOVEJOY: Can you say whether you've
11 done that?

12 WITNESS SCHWARTZ: Yes.

13 MR. LOVEJOY: You have?

14 WITNESS SCHWARTZ: Yes.

15 MR. LOVEJOY: Okay. Maybe we should take
16 about a 5 or 10 minute break.

17 MR. CURTISS: Let's say 10 and be back
18 here at quarter to?

19 MR. LOVEJOY: Sure.

20 MR. CURTISS: Great.

21 (Off the record.)

22 MR. LOVEJOY: Would you take a look at

[REDACTED]

[REDACTED]

1 think that they will find that the output from their
2 facilities will be purchased by the companies that use
3 it as fuel.

4 MR. LOVEJOY: Okay. Are you making any
5 assumptions as to the price at which they will sell
6 when you make that statement?

7 WITNESS SCHWARTZ: Not specific price,
8 simply that they both should be capable of selling
9 into the market in a competitive price range.

10 MR. LOVEJOY: That's your assumption?

11 WITNESS SCHWARTZ: That's our assumption.

12 MR. LOVEJOY: Okay. Do you have any
13 reason to doubt that assumption as to either of the
14 plants?

15 WITNESS SCHWARTZ: No.

16 MR. LOVEJOY: Over on page 3, 1.1-3, I'll
17 just call it page three, the first full paragraph
18 right at the end, it says, as discussed in ER section
19 1.1.2, market analysis of enriched uranium supply and
20 requirements.

21 Purchasers of enrichment services view
22 diversity and security in supply is vital from a

[REDACTED]

1 commercial perspective as well. Do they also consider
2 price to be a vital element of the --

3 MR. CURTISS: Objection as to relevance.
4 He can answer the question, but objection to the
5 relevance.

6 WITNESS SCHWARTZ: In our experience the
7 economics are always a consideration. But, as was
8 pointed out, it's really the -- number that are
9 considered.

10 MR. LOVEJOY: When you say economics, are
11 you talking about price?

12 WITNESS SCHWARTZ: It can be reduced to
13 price.

14 MR. LOVEJOY: Going down to paragraphs,
15 there's a reference at the bottom of the third full
16 paragraph that says, in this regard the French Company
17 Areva plans to deploy centrifuge technology and a new
18 enrichment facility will be constructed in France.

19 Just for identification, does this
20 facility have a name in the industry?

21 WITNESS SCHWARTZ: I believe that they are
22 characterizing it as Georges Besse 2.

[REDACTED]

[REDACTED]

1 would be speculative, would not be included in your
2 projection?

3 WITNESS SCHWARTZ: Well, we actually do
4 include some small increase. And I think that we talk
5 about that at the bottom of that first paragraph.

6 On page ten, about four or five lines up,
7 we talk about that increase from the 2.7 to 3.5. At
8 this point in time, Russia is fully utilizing all of
9 its enrichment capability, either for enrichment, or
10 for creating the equivalent of natural uranium.

11 MR. LOVEJOY: Do you know whether they've
12 gone ahead and expanded their enrichment capacity?

13 WITNESS SCHWARTZ: I believe that it has
14 increased somewhat. I don't have the actual numbers.
15 It certainly is not up to this level, to the best of
16 my understanding.

17 MR. LOVEJOY: Okay. On page 11 there is
18 a discussion of the Russian HEU derived LEU. It gets
19 into a little bit of a technical area here. So, let's
20 be careful.

21 Is it your understanding that, when this
22 document was written, Russia was marketing the

[REDACTED]

[REDACTED]

1 equivalent of five and a half million SWUs derived in
2 part from highly enriched uranium into the United
3 States?

4 WITNESS SCHWARTZ: It is selling it
5 through USEC under a contract, yes.

6 MR. LOVEJOY: And, the amount is 5.5
7 million?

8 WITNESS SCHWARTZ: It amounts to about 5.5
9 separate units per year.

10 MR. LOVEJOY: And, is it your
11 understanding, to market that amount, Russia is not
12 actually required to use 5.5 million per year SWU
13 enrichment capacity, is that right?

14 WITNESS SCHWARTZ: Right.

15 MR. LOVEJOY: Okay. And the actual
16 amount, is that shown on page 11 here as a 4.2
17 million?

18 WITNESS SCHWARTZ: Yes.

19 MR. LOVEJOY: Four point two million SWU
20 contained in blendstock.

21 WITNESS SCHWARTZ: Right.

22 MR. LOVEJOY: And then the rest from the

[REDACTED]

[REDACTED]

1 HEU, is that right?

2 WITNESS SCHWARTZ: Correct.

3 MR. LOVEJOY: So, to market 5.5 million,
4 Russia actually only uses 4.2 million SWU capacity, is
5 that right?

6 WITNESS SCHWARTZ: That is correct.

7 MR. LOVEJOY: Okay. Over on page 12,
8 there is discussion of DOE highly enriched uranium.
9 Down on the last paragraph on that page there's
10 reference to the possibility that 490 metric tons of
11 HEU might be made available to the commercial market.

12 And, that was something that you did not
13 include in your projections, isn't it?

14 WITNESS SCHWARTZ: That is correct, we did
15 not.

16 MR. LOVEJOY: Okay. And, in any event,
17 you state that if it were made available, because of
18 the blendstock requirements, I take it, only an
19 additional 22 million SWU in that supply would be made
20 available, is that right?

21 WITNESS SCHWARTZ: That's right.

22 MR. LOVEJOY: And you state this is

[REDACTED]

[REDACTED]

1 equivalent to about two years of U.S. total
2 requirements for enrichment services. If this were
3 spread out over 20 years, it would add a net 1.1
4 million SWU per year.

5 Then it goes on. How did you hypothesize
6 that this might be spread out over 20 years?

7 WITNESS SCHWARTZ: The way we looked at it
8 was a single shot of material to take care of needs
9 for one year or two years accomplished nothing in
10 terms of looking at a long-term picture of supply and
11 demand.

12 It was more important to the market, as we
13 saw it, to look at how that would -- again, this is
14 all hypothetical. We really saw that as very
15 speculative and just wanted to make sure we had
16 addressed the various pieces that were out there.

17 But, to be useful to the market one had to
18 look at how it would enter over a long-term basis. So,
19 we thought that that was a very reasonable way to look
20 at it.

21 MR. LOVEJOY: Were you supposing -- excuse
22 me -- were supposing that the DOE would release this

[REDACTED]

[REDACTED]

1 supply to the market in such a way as not to affect
2 existing suppliers?

3 WITNESS SCHWARTZ: First of all, we didn't
4 see this as being material that would come onto the
5 market.

6 MR. LOVEJOY: You didn't include it in
7 your projection?

8 WITNESS SCHWARTZ: We didn't include it.
9 So, I want to make sure that that's clear. But, you
10 know, again, in looking at this, it wasn't a matter of
11 impact on the market.

12 I mean, really, that is a consideration.
13 And it's a valid consideration that the Department of
14 Energy takes into account with regard to other pieces
15 of material that it looks at.

16 So, that is accurate. But, in this case,
17 what we were doing was trying to equate this to an
18 equivalent of a production facility. In other words,
19 how would this fit into the long-term supply and
20 demand picture. That was the objective. |

21 MR. LOVEJOY: Okay. Look over on page 19
22 here, discussing scenario A, which is on the previous

1 WITNESS SCHWARTZ: I think it was.

2 MR. LOVEJOY: Okay. On the first page of
3 this, the first page with text, under the future of
4 SWU, in the right hand column there's a paragraph
5 starting as will be discussed.

6 You can read any part of this document.
7 It says, as will be discussed further, the dominant
8 enrichment issue is not the anticipated future
9 availability of SWU, but the availability of economic
10 SWU.

11 A pitched battle has been and will
12 continue to rage over future market share, which is
13 being determined by production cost factors, rather
14 than mere production capacity.

15 This was stated in July of '02, I believe.
16 As of that time, did you agree or disagree with that
17 statement?

18 WITNESS SCHWARTZ: I think --

19 MR. LOVEJOY: Of the pitched battle.

20 WITNESS SCHWARTZ: I think at that time
21 there was certainly -- and there still is -- a
22 competitive market. And the suppliers do compete for

1 business.

2 And, you know, one of the issues or
3 factors that goes into that is always the cost factor.

4 MR. LOVEJOY: What is the entity that
5 publishes NUKEM reports?

6 WITNESS SCHWARTZ: It is RWE NUKEM. They
7 have a number of businesses. But, in this context it
8 is primarily trading in uranium supply commodities.

9 MR. LOVEJOY: And, are they affiliated
10 with German Utility?

11 WITNESS SCHWARTZ: Yes, they are.

12 MR. LOVEJOY: This is a published
13 document?

14 WITNESS SCHWARTZ: Yes.

15 MR. LOVEJOY: It is public.

16 WITNESS SCHWARTZ: Well, I mean it --

17 MR. LOVEJOY: To subscribers?

18 WITNESS SCHWARTZ: Right.

19 MR. LOVEJOY: Over on the next page, under
20 USEC Saga, there's a reference to USEC announcing its
21 decision to consolidate its enrichment operations at
22 the Paducah plant.