

February 6, 2006

UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

BEFORE THE ATOMIC SAFETY AND LICENSING BOARD

DOCKETED
USNRC

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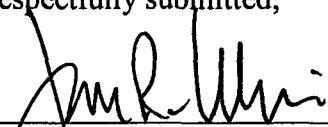
In the Matter of:)
)
Louisiana Energy Services, L.P.)
)
(National Enrichment Facility))

Docket No. 70-3103-ML
ASLBP No. 04-826-01-ML

**OUTLINE SUMMARY OF LOUISIANA ENERGY SERVICES, L.P.
REGARDING THE COST OF CAPITAL AND COST OF CYLINDER MANAGEMENT**

In accordance with the Atomic Safety and Licensing Board's Memorandum and Order (Evidentiary Hearing Schedule and Prehearing Administrative Matters) of December 27, 2005, attached is Louisiana Energy Services, L.P.'s outline summary regarding the two issues to be considered at the upcoming evidentiary hearing.

Respectfully submitted,



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Dated at Washington, District of Columbia
this 6th day of February 2006

COST OF CAPITAL AND CYLINDER MANAGEMENT**I. COST OF CAPITAL****NIRS/PC Argument**

LES's decommissioning cost estimate is insufficient because it fails to account for a cost of capital, *i.e.*, the cost of borrowing funds to construct and operate the deconversion facility. A provision of \$0.40 per kgU estimate for the cost of capital is too low.

LES Response

- **LES Expert:** Rod Krich
- **Key LES Exhibits:** 119, 120, 121, and 122
- **Substance of LES Testimony:**
 - LES has complied with all applicable NRC regulations by committing to provide sufficient financial assurance to fund all activities necessary to disposition depleted uranium hexafluoride ("DUF₆") from the proposed NEF, including the deconversion of DUF₆ to DU₃O₈. There is no need to account for a "cost of capital" under the approach proposed by LES and accepted by the NRC Staff.
 - An applicant is required only to prepare an initial *approximate* cost estimate prior to license issuance, to update that estimate at regular intervals during the operating life of the facility, and, finally, to prepare an updated, detailed cost estimate immediately before final facility decommissioning. (LES Exh. 120).
 - Consistent with its decommissioning funding plan, LES will use a surety bond method to provide reasonable assurance that adequate funds will be available to decommission the NEF and to disposition any DUF₆ produced by NEF operations.
 - In accordance with an exemption granted by the NRC, LES will provide financial assurance for DUF₆ dispositioning during the operating life of the facility. (LES Exh. 121). Initially, LES will financially assure the cost of dispositioning all DUF₆ expected to be generated in the first three years of the facility's operating life. LES will then update its cost estimate annually, on a prospective basis, and adjust its financial assurance instrument accordingly to ensure that the

associated funding level is adequate to disposition DUF_6 generated in the coming year.

- Under this approach, LES will ensure that sufficient funds are available at the end of NEF's nominal 30-year operating life to pay for the deconversion of all DUF_6 generated by the facility. The construction of a deconversion facility at that time would not require the borrowing of funds.
- Under this approach, LES also ensures that sufficient financial assurance is available to pay DOE --as a backup option -- to disposition all DUF_6 produced by the NEF at any point during the facility's operating life.
 - Any decision by LES, or any other commercial entity, to build a deconversion facility *during* the operating life of the NEF is fundamentally a business matter. There is no regulatory requirement that facility construction occur before the permanent end of NEF operations. The cost of constructing such a facility would be an operational cost and not funded through LES's financial assurance instrument.
 - Thus, LES's approach to financial assurance satisfies applicable regulatory requirements by ensuring that sufficient funds will be available at any point in the NEF's operating life to pay for the deconversion of DUF_6 to DU_3O_8 , such that no "cost of capital" will be incurred for that purpose.

II. CYLINDER MANAGEMENT

NIRS/PC Argument

LES's decommissioning cost estimate is insufficient because it fails to account for the cost of managing empty DUF_6 cylinders, including the costs of washing and disposing of the cylinders. Further, the \$0.60 per kgU figure proposed by LES to account for cylinder management costs is inadequate, because it is based on the Urenco business study. That study considered a washing process designed to meet European, not U.S., standards, and did not consider the cost of cleaning the cylinders to meet free-release standards.

LES Response

- **LES Expert:** Rod Krich
- **Key LES Exhibits:** 118, 123, and 124

- **Substance of LES Testimony:**

- Cylinders are valuable operational commodities that can be reused or recycled for storing and/or transporting radioactive material. It is unreasonable to assume that an undamaged cylinder would be cut up and disposed of as waste. (LES Exh. 123).
- Cylinders are washed once every five years in connection with "recertification" for reuse. Cylinders in Europe, the U.S., and Canada are all washed and recertified to meet ANSI N14.1 standards.
- If LES commences DU dispositioning during the operating life of the facility, then cylinder maintenance would be paid for out of operational funds. Even if one assumes that LES were to accrue 30 years worth of cylinders over the NEF's nominal operating life, the emptied cylinders still would retain their intrinsic commercial value. Therefore, it is highly unlikely that the cylinders would need to be disposed of as low-level radioactive waste.
- While LES does not believe that the cost of disposing of empty DUF₆ cylinders is an essential element of its deconversion cost estimate, LES nonetheless has committed to an additional line item of \$0.60 per kgU for the cost of cylinder management (LES Exh. 118). This figure is based largely on cost information contained in the Urenco business study, the principal source of LES's private sector deconversion cost estimate.
- The conservatism inherent in LES's proposed \$0.60 per kgU line item is further demonstrated by Cameco's extensive "real world" experience. Cameco has confirmed via a letter to LES that the total cost of washing and recertifying cylinders in accordance with the ANSI N14.1 standard is about \$0.29 per kgU (LES Exh. 123). Cameco also expressed the third-party commercial view that \$0.60 per kgU would be sufficient to cover the cost of cleaning a cylinder to meet free release standards. (LES Exh. 123).

III. RELIEF REQUESTED

LES respectfully requests that the Board find as follows: (1) LES does not need to account for a cost of capital for building the deconversion facility in its DUF₆ dispositioning cost estimate; (2) LES's proposed line item of \$0.60 per kgU is conservative and therefore adequately addresses any potential costs associated with empty DUF₆ cylinder management; and (3) LES has met its burden with respect to the cost of capital and cylinder management cost issues raised by NIRS/PC.

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CERTIFICATE OF SERVICE

I hereby certify that copies of the "OUTLINE SUMMARY OF LOUISIANA ENERGY SERVICES, L.P. REGARDING THE ISSUES TO BE CONSIDERED IN THE UPCOMING EVIDENTIARY HEARING" in the captioned proceeding has been served on the following by e-mail service, designated by **, on February 6, 2006 as shown below. Additional service has been made by deposit in the United States mail, first class, this 6th day of February 2006.

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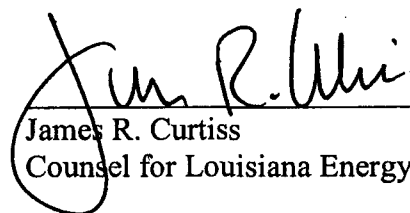
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