

May 16, 2006

MEMORANDUM TO: Joseph G. Giitter, Chief
Special Projects Branch
Division of Fuel Cycle Safety
and Safeguards

THRU: Brian W. Smith, Chief
Gas Centrifuge Facility Licensing Section \RA\
Special Projects Branch, FCSS

FROM: Stan Echols
Senior Project Manager \RA\
Gas Centrifuge Facility Licensing Section
Special Projects Branch, FCSS

SUBJECT: MAY 9, 2006, MEETING SUMMARY:
USEC INC. QUARTERLY MANAGEMENT MEETING

On May 9, 2006, U.S. Nuclear Regulatory Commission (NRC) staff met with management staff from USEC Inc. to discuss project status and management issues related to USEC Inc.'s application for a gas centrifuge uranium enrichment facility proposed to be constructed and operated in Piketon, Ohio. I am enclosing the meeting summary for your use. This summary contains no proprietary or classified information.

Docket: 70-7004

Enclosure 1: NRC/USEC Inc. Senior Management Meeting Summary
Enclosure 2: Attendee list
Enclosure 3: Meeting agenda

cc: (Cover Memo and Attachment)

William Szymanski/DOE	Michael Marriotte/NIRS	Dan Minter/SODI
Carol O'Claire/Ohio EMA	James Curtiss/W&S	Randall DeVault/DOE
Lindsay Lovejoy/NIRS	Karl Gross/LES	Peter Miner/USEC Inc.
Rocky Brown/Mayor of Beaver	Jim Brushart/Pike Co. Comm.	Geoffrey Sea
David Bowe/SPFPA/USEC	Teddy West/Scioto Twp. Trust.	Robert Owen/Ohio DoH
Billy Spencer/Mayor of Piketon	Vina Colley/PRESS	Donald Silverman/Morgan Lewis
Harry Rioer/Pike Co. Comm	Larry Scaggs/Seal Twp.Trust.	Carrie Mytinger/Cong. Ney
Robert Huff/Portsmouth CoC	Ted Wheeler/Pike County Aud.	Marvin Jones/Chillicothe CoC
Kara Willis/Gov. Taft's Reg. 7	Ewan Todd/PRESS	Dwight Massie/Pike CoC
Joyce Weeth/Pike Co. Rec	Blaine Beekman/Pike CoC	MarJean Kennedy/Gov. Taft

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WTroskoski/SPB
NGarcia/SPB
DAyres/RII
FBurrows/TSG
TJohnson/SPB
ISpivack/SPB
Hearing file
MFederline/NMSS
LTrocine/OE
LRakovan/EDO
MGalloway/TSG
DHartland/RII
JYerokun/RES
LSilvious/NSIR
JDowns/SPB

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OFC	GCFLS	GCFLS	EPAD	GCFLS	OGC	GCFLS
NAME	ISpivack	SEchols	MBlevins	LWilliamson	LClark	BSmith
DATE	5/12/06	5/ 1206	5/ 12/06	5/ 12/06	5/ 15/06	5/ 16/06

NRC/USEC Inc. Senior Management Meeting Summary

Date: May 9, 2006

Place: U.S. Nuclear Regulatory Commission (NRC) Offices; Rockville, Maryland

Attendees: See Enclosure 2

Purpose:

The purpose of this meeting was to discuss project status and management issues related to the NRC's review of USEC Inc.'s (USEC's) application for a gas centrifuge uranium enrichment facility, the American Centrifuge Plant (ACP), proposed to be constructed and operated in Piketon, Ohio. The meeting agenda is in Enclosure 3.

Discussion:

After introductions, Mr. Jack Strosnider, Director of the Office of Nuclear Material Safety and Safeguards (NMSS), opened the sixth USEC quarterly management meeting by stating that the application was submitted about two years ago, and that the NRC is near completion of the safety and safeguards review of the application. He stated that the NRC has completed the environmental review, and the Final Environmental Impact Statement (FEIS) has been issued.

Mr. Strosnider also stated that the Safety Evaluation Report (SER) was initially on an 18-month schedule, but is now expected to be published in July 2006. He stated that this delay is due to a few complex technical issues with the application, as well as a recent Atomic Safety Licensing Board (ASLB) Order that requires additional information to be incorporated in the SER. The outstanding issues focus primarily on criticality safety, tails disposition, and liability insurance issues.

Mr. Victor N. Lopiano, Vice President, American Centrifuge, stated that USEC will work with the NRC to resolve any remaining open issues. He added that USEC remains focused on providing high quality, timely, and complete responses to NRC requests. Mr. Lopiano stated that USEC is pleased that the FEIS has been published, and is looking forward to the publication of the SER.

Mr. Brian W. Smith, Chief, Gas Centrifuge Facility Licensing Section, NMSS, then discussed the schedule, licensing status, and current issues in the areas of safety and safeguards. He reiterated that issuance of the SER will be July 2006, but that it will be published as soon as possible. He also attributed the delay to the fact that a few complex issues still remain open, as well as a recent ASLB Order.

Mr. Smith stated that since the last quarterly management meeting, NRC technical staff conducted numerous conference calls to identify and resolve open issues with respect to Integrated Safety Analysis (ISA) Summary, criticality safety, seismicity, and decommissioning funding. He stated that USEC staff has been generally candid and responsive during calls and meetings. The NRC has reviewed the revised seismic study submitted a few months ago, and has been able to resolve all outstanding seismic issues.

He also stated that an open issue regarding criticality safety computer code validation has been resolved recently. This issue involved the validation of the computer code used by USEC to demonstrate subcriticality for uranium enriched between 5 and 10 percent for normal and credible abnormal conditions. To resolve this issue, USEC raised its margin of subcriticality from

.02 to 0.05 for operations between 5wt% and 10wt% to acceptably bound effects of unresolved issues with code validation. He stated that last month, NRC staff conducted an on-site review regarding criticality issues. As a result of that review and USEC's timely submittal of supplementary information, most of those issues have been resolved.

He stated that the NRC expects similar cooperation over the next several weeks to resolve the remaining open issues, as well as any issues that might arise as a result of NRC management and the Office of General Counsel (OGC) review of the draft SER.

Mr. Smith stated that there are three remaining open issues; criticality safety, liability insurance, and the tails disposition decommissioning funding. He stated that the remaining criticality safety issue involves the need to include certain criticality accident sequences, identified in ACP criticality safety analysis documents, in the ISA Summary. He stated that since our last quarterly meeting, there has been significant interaction including numerous calls, meetings, written submittals, and a site visit to clarify and resolve issues. The NRC staff is completing its review of the information provided by USEC and is close to a final resolution. The NRC will initiate another telephone conference within the next few days to discuss the remaining issues.

With respect to liability insurance, Mr. Smith stated that in lieu of obtaining liability insurance per 10 CFR 140.13(b), USEC will be indemnified by Department of Energy (DOE) under its Price-Anderson authority. Mr. Smith noted that USEC was recently asked to obtain a letter from DOE documenting its rationale that USEC's proposed gas centrifuge plant is subject to Price-Anderson indemnification. NRC has also requested that USEC submit an exemption request for the liability insurance requirement based on the DOE-OGC position that Price-Anderson indemnification applies.

Mr. Smith stated that regarding decommissioning funding, USEC has provided additional information to support its estimated cost for decommissioning and disposition of tails, and that the submitted cost estimate based on the DOE methodology was found to be acceptable. Mr. Smith also stated that there still remains an issue regarding the appropriate contingency factor to be applied to account for uncertainty in cost estimates and unexpected circumstances. The NRC staff stated in a recent letter to USEC that the appropriate contingency factor is 25% of the estimated costs, but that the contingencies built into the DOE cost estimates could be taken into consideration and applied against the 25% contingency.

Mr. Smith stated that there are additional issues that could affect the issuance of a license. He stated that regarding the NRC/DOE Memorandum of Understanding (MOU) for the ACP, NRC recently received DOE's input on the draft MOU and is currently reviewing the proposed changes. He also stated that as in the Lead Cascade licensing, the NRC position regarding a lease agreement remains the same, in that the NRC cannot issue a license for the ACP until the USEC-DOE lease agreement for the ACP is signed, and the NRC confirms that nothing in the lease would contradict the license.

Mr. Matt Blevins, Senior Project Manager, Environmental and Performance Assessment Directorate, stated that the NRC received several comments just prior to the publication of the FEIS in early March, 2006, which prompted some delay. The NRC has since published and printed the FEIS and is currently distributing copies to stakeholders. The official Environmental Protection Agency Notice of Availability will be issued on May 19, 2006.

Mr. Blevins stated that the NRC has closed an issue regarding the Section 106 consultation under the National Historic Preservation Act. The NRC forwarded its Section 106 finding to the Advisory Council on Historic Preservation on January 27, 2006, for a required 30-day review

period. The Advisory Council did not object to the NRC's findings in the requisite review period, therefore, the staff considers the Section 106 review to be complete.

Mr. Smith stated that the ASLB issued a ruling in early October 2005 in which it denied admissibility of the contentions raised by the two interveners, Geoffrey Sea and PRESS. The interveners appealed the ruling to the Commission later that month. The Commission recently ruled against both interveners, and, as a result, there are no outstanding contentions.

Mr. Smith stated that the ASLB recently issued an Order requiring the staff to provide, among other things, an extensive summary addressing the acceptance criteria in the Standard Review Plan and regulatory guides. The staff responded to the Order by petitioning the ASLB for clarification and relief from certain portions of the Order. The staff is currently working to review and modify, where necessary, the various chapters of the SER to address the Board's request, while awaiting a response from the ASLB to the staff's motion.

The meeting was then opened for questions/comments from members of the public. Mr. Jonathan Hinze asked Mr. Smith whether a date had been set for the mandatory hearing. Mr. Smith responded by stating that a schedule for the mandatory hearing has not been set, but that following submission of documents to the ASLB and completion of the SER, the ASLB would likely identify issues for the staff to address, and schedule the hearing at that time.

Mr. Stronsider concluded the meeting by reiterating the importance of the NRC's review to ensure protection of the environment and the public, and the need for continued good communications and interactions between USEC and NRC to facilitate an effective and efficient review.

The meeting was then adjourned.

Action Items

No action items.

USEC Inc. Quarterly Management Meeting Attendance List
May 9, 2006

<u>Name</u>	<u>Affiliation</u>	<u>Phone Number</u>	<u>E-Mail</u>
Matt Blevins	NRC/DWMEP	301-415-7684	MXB6@NRC.GOV
Joseph Gitter	NRC/FCSS/SPB	301-415-7485	JGG@NRC.GOV
Jack Strosnider	NRC/NMSS	301-415-7800	JRS2@NRC.GOV
Victor Lopiano	USEC	301-564-3389	
Peter Miner	USEC	301-564-3470	MinerP@USEC.COM
Dennis Scott	USEC	301-465-3352	ScottD@USEC.COM
Steven Toelle	USEC	301-564-3250	ToelleS@USEC.COM
Jonathan Hinze	Ux Consulting	202-904-2394	Jonathan.hinze@UXC.COM
Stan Echols	NRC/FCSS/SPB	301-415-6981	FSE@NRC.GOV
Martin O'Neill	LES/Winston Strawn	202-282-5797	Moneill@WINSTON.COM
Ian Spivack	NRC/FCSS/SPB	301-415-2564	IFS@NRC.GOV
Brian Smith	NRC/FCSS/SPB	301-415-7457	BWS1@NRC.GOV
Dave McIntyre	NRC/OPA	301-415-8206	DTM@NRC.GOV
Lisa Clark	NRC/OGC	301-415-1571	LBC@NRC.GOV
D. Brown	Areva	301-841-8365	DBrown@COGEMA-INC.COM

USEC Inc. Quarterly Management Meeting Agenda
May 9, 2006

Purpose/Introductions

Project Status

Management Issues

Questions and Answers