

March 5, 2007

UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

BEFORE THE ATOMIC SAFETY AND LICENSING BOARD

In the Matter of

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USEC Inc.

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Docket No. 70-7004

(American Centrifuge Plant)

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ASLBP No. 05-838-01-ML

NRC STAFF TESTIMONY RELATED TO HTS-6: FINANCIAL CAPABILITY

Q1: Please state your name, occupation, by whom you are employed, and your professional qualifications.

A1: (RU) My name is Ronald Uleck. I am employed as a Cost Analyst in the NRC's Office of Nuclear Reactor Regulation, Division of Policy and Rulemaking. A statement of my professional qualifications is attached.

A1: (CP) My name is Clayton L. Pittiglio. I am employed as a Senior Financial Analyst in the NRC's Office of Nuclear Reactor Regulation, Division of Policy and Rulemaking. A statement of my professional qualifications is attached.

Q2: Please describe your professional responsibilities with regard to the NRC staff's ("Staff") review of the USEC, Inc.'s ("the Applicant") license application ("Application") for the proposed American Centrifuge Plant (ACP) in Piketon, Ohio.

A2: (RU) I reviewed the information provided by the Applicant in connection with its financial qualifications and prepared Section 1.2.3.3 of the SER. NUREG-1851, "Safety Evaluation Report for the American Centrifuge Plant in Piketon, Ohio" (2006), Staff Exhibit 1.

A2: (CP) I reviewed the information provided by the Applicant in connection with estimated project costs and assisted Ronald Uleck in preparation of Section 1.2.3.3.1 of the SER.

Q3: What is the purpose of your testimony?

A3: The purpose of our testimony is to provide information with regard to the Applicant's financial qualifications to construct and operate the proposed ACP.

Q4: How do the financial statements made in SER Chapter 1 demonstrate USEC's current and continuing access to the financial resources necessary to engage in the proposed activity, as required by Section 1.2.4.3(2) of NUREG-1520?

A4: The Staff evaluated the applicant's project costs and financial qualifications provided in Section 1.2.2 of the original August 2004 application, supplementary proprietary financial information, and recent years of the applicant's Form 10-K Annual Report to the Security and Exchange Commission. The Staff then documented its conclusions in Sections 1.2.3.3.1 and 1.2.3.3.2 of the SER. Staff Exhibit 1.

As stated in Section 1.2.3.3.2 of the SER, the Applicant anticipates that its funding for various phases of construction may come from funds from operations, capital raised by the applicant, potential partners, and lending and/or lease arrangements. Before initiating each phase of construction, the Applicant will make its budgeted costs for such a phase available, and document to NRC the source of funds available or committed to fund that phase.

To ensure the applicant meets the financial qualifications requirements for construction and operation of the facility, the Staff is imposing license conditions requiring that construction of each incremental phase of the ACP shall not commence before funding for that increment is available or committed, and that operation of the ACP shall not commence until USEC has in place sufficient funding for five years of operations.

Therefore, based on the applicant having a reasonable construction cost estimate of \$1.5 billion, as discussed in Section 1.2.3.3.1 of the SER (Staff Exhibit 1), and a reasonable (pre-funded, phased) approach for financing the construction and operation of the facility, the Staff finds that the Applicant has a reasonable assurance of securing the necessary financial resources needed for constructing and operating the ACP project. Therefore, the Staff finds, based on the pre-funded, phased approach, that the Applicant appears to be financially qualified

to build and operate the proposed ACP, in accordance with Section 1.2.4.3(2) of NUREG-1520, 10 CFR 70.22(a)(8), and 10 CFR 70.23(a)(5).

Q5: Has the Staff reviewed the updated cost information included in the Applicant's recent press release?

A5: The Staff took note the USEC news release, dated February 12, 2007, which provides updated information on project capacity, construction costs and funding arrangements. News Release, "USEC Updates Cost Estimate and Schedule for American Centrifuge Plant," February 12, 2007, Staff Exhibit 11. The Applicant did not, however, submit to the NRC any amendments or supplements to its Application describing these updated conditions. In the news release, USEC stated that the ACP project cost target increased to \$2.3 billion, largely because of potential increases in prices for key materials and the cost of manufacturing centrifuge machine components. Capacity is expected to increase to 3.8 million SWU as a result of improved machine performance. Project funding would be accomplished through equity and debt offerings; this funding method is essentially the same as that presented in the 2004 application. Assuming that there are no significant project conditions different from those presented in the Application (including all supplements and revisions), except for the above-stated updated cost and capacity conditions, the updated conditions do not materially affect the Staff's conclusion that the applicant appears to be financially qualified to build and operate the proposed ACP.

Q6: Has the Applicant provided the details of the management controls for each of the transition options from the lead cascade to ACP? If so, please relate each management control to the incremental construction funding and decommissioning costs.

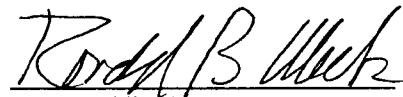
A6: (RU) Details of the management controls for each of the transition options from the Lead Cascade to the ACP have not been provided to the NRC. At this time, USEC has not decided which of the options it will implement. From a decommissioning standpoint, USEC currently has decommissioning financial assurance in place for the lead cascade. When USEC

decides which option it will implement, it will inform the NRC and provide the necessary information at that time. This information will be provided in conjunction with USEC's request for termination of the Lead Cascade license. This information will be reviewed by the appropriate subject matter experts at that time. From a financial qualifications standpoint, management controls will be reviewed to confirm that USEC has provided an appropriate budget for the controls.

Q7: Does this conclude your testimony?

A7: Yes.

I declare under penalty of perjury that the foregoing is true and correct. Executed on March 25, 2007.


Ronald Uleck

I declare under penalty of perjury that the foregoing is true and correct. Executed on March 25, 2007.


Clayton L. Pittiglio