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Sent: Friday, May 07, 2010 11:34 AM
To: Hiltz, Thomas; Liu, Tilda
Cc: Sullivan, Paul E.; Van Namen, Robert; Whitehurst, Michael; Hatcher, Donald J
Subject: Request for Expedited Review of USEC's Revised GDP 2010 DFP

Purpose:

USEC is requesting an expedited review and approval of USEC's Decommissioning Funding Program (DFP) as a time-critical step in obtaining the release of encumbered cash for a \$90 million DOE-USEC Cooperative Research, Development and Demonstration (RD&D Agreement) project for the American Centrifuge Program. DOE's 50% share of the RD&D Agreement is intended to result from a transfer of the tails disposal obligation for a certain quantity of depleted uranium and the associated reduction in decommissioning financial assurance required by the Nuclear Regulatory Commission (NRC). This will release funds encumbered by the associated decommissioning funding surety bonds as reflected in the DFP submitted to NRC on April 1.

Background:

1. USEC has invested approximately \$1.8 billion toward deployment of advanced U.S. enrichment technology called the American Centrifuge Project (ACP) in an NRC Licensed facility in Piketon, Ohio. As part of the financing required to complete this project, USEC has applied for a \$2 billion Loan Guarantee under a DOE program established by Title XVII of the Energy Policy Act of 2005. In the spring and summer of 2009, USEC reduced spending on the project due to limitations on available funding and uncertainty as to the timing of a decision with respect to the Loan Guarantee.
2. In August of 2009, DOE and USEC announced an agreement to delay a final review of USEC's Loan Guarantee Application by at least six months so that USEC could address certain technical and financial concerns. At this time, USEC significantly demobilized and reduced project construction and centrifuge machine manufacturing activities to preserve corporate liquidity.
3. At the time of the August 2009 announcement, DOE offered \$45 million in financial support to assist USEC in advancing the project toward commercial deployment, although the source of this funding was not determined and it required extended discussions for the source to be determined.
4. In February, 2010, DOE and USEC identified a method for releasing \$45 million of encumbered cash by transferring USEC's disposal obligation for a certain quantity of depleted uranium. Such a transfer would result in the release of \$45 million of cash used as collateral to support surety bonds for USEC's

decommissioning financial assurance to the NRC. These funds would then be used to invest in the ACP program.

5. On March 23, 2010, DOE and USEC signed a RD&D agreement to jointly fund continued manufacturing of AC100 commercial plant centrifuge machines, demonstration of initial AC100 Lead Cascade Operation and Expanded Operation, and a six-sigma process improvement program to facilitate high-volume and quality rotor production over the period January 1, 2010 to December 31, 2010 (see <http://www.energy.gov/news/archives/4515.htm>) The DFP submitted to NRC for approval reflects the reduction in USEC's owned depleted uranium inventories as a result of the transfer of disposal obligations for depleted uranium to DOE.
6. USEC's future investment decisions with respect to the ACP require clarity as to the timing and certainty that USEC can obtain release of the encumbered cash commitment through the depleted uranium transfer and anticipates the need for these funds to support ongoing activities within 2010. Without this clarity, USEC could be forced to further reduce project spending in the near-term, impacting key activities needed to address DOE's technical concerns and USEC's ability to successfully complete the project.

Action Requested:

USEC requests an expedited review and approval of the DFP as early as possible, preferably by June 2010. USEC appreciates the attention that NRC staff has been giving this matter. As we have discussed with you, timely approval is crucial to continuing ongoing project activities and USEC's initiative to deploy ACP commercially to establish a safe, secure supply of enriched uranium for nuclear power plants based on U.S. technology.

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