

August 28, 2012

Mr. Steven A. Toelle, Director
Regulatory Affairs
United States Enrichment Corporation
2 Democracy Center
6903 Rockledge Drive
Bethesda, MD 20817

SUBJECT: REVISION TO DECOMMISSIONING FUNDING PROGRAM DESCRIPTION AND
DEPLETED URANIUM MANAGEMENT PLAN AND FINANCIAL ASSURANCE
FOR CALENDAR YEAR 2012, PADUCAH GASEOUS DIFFUSION PLANT
(TAC NO. L32786)

Dear Mr. Toelle:

The U.S. Nuclear Regulatory Commission (NRC) staff has reviewed the June 28, 2012 (Agencywide Documents Access and Management System [ADAMS] Accession Number ML121910522), submittal provided by the United States Enrichment Corporation (USEC) regarding its proposed revisions to the Decommissioning Funding Program (DFP) Description and Depleted Uranium (DU) Management Plan and Financial Assurance for Paducah Gaseous Diffusion Plant (PGDP), Calendar Year (CY) 2012. USEC's June 28, 2012, submittal updates its prior CY 2012 DFP Description and DU Management Plan and Financial Assurance for PGDP, initially provided by letter dated December 22, 2011 (ADAMS Accession Number ML12006A116), as supplemented by letter dated March 14, 2012 (ADAMS Accession Number ML120830027). By letter dated June 4, 2012 (ADAMS Accession Number ML121390021), the NRC staff approved the proposed update and determined that the then \$151.9 million cost estimate for the site and the facility's decommissioning and DU disposal acceptable.

USEC's June 28, 2012, submittal states that the estimated cost for disposal of waste and disposition of DU decreased due to a Cooperative Agreement between USEC and the U.S. Department of Energy (DOE) to support continued development and demonstration of the American Centrifuge Cascade Demonstration Test Program. USEC provided a copy of the Cooperative Agreement along with the DFP and DU Plan. The terms of the Cooperative Agreement provide for the transfer of "title to a certain amount of depleted uranium from the United States Enrichment Corporation (USEC) to DOE." Specifically, USEC's June 28, 2012, submittal reflects a decrease in its tails disposal liability of 26,505 metric tons of depleted uranium. On August 6, 2012, the staff issued a request for additional information (RAI) (ADAMS Accession Number ML12215A053) supporting the review of the June 28, 2012, submittal, and USEC provided its response to the staff's RAI by letter dated August 7, 2012 (ADAMS Accession Number ML12228A323).

Based on the review, the staff finds the proposed cost estimate as contained in USEC's June 28, 2012, submittal consistent with NUREG-1757, Volume 3, "Consolidated NMSS Decommissioning Guidance: Financial Assurance, Recordkeeping, and Timeliness," dated September 2003. The staff considers the revised cost estimate, in the amount of \$6.0 million, for the site and the facility's decommissioning and DU disposal acceptable. Furthermore, the

staff considers that the aggregate dollar amount of USEC's various financial instruments provides adequate financial assurance to cover its cost estimate. The staff concludes that the USEC's revised financial instruments, which would reduce the penal sum of those bonds mentioned in the submittal, to be acceptable and may be acknowledged by the NRC. Therefore, the staff concludes that USEC meets the regulatory requirements to provide financial assurance, as set forth in the Title 10 of the Code of Federal Regulations (10 CFR) 76.35(n).

The staff's compliance evaluation report is included in the enclosure. The original riders acknowledged by the NRC will be provided to you separately.

In accordance with 10 CFR Section 2.390 of the NRC's "Rules of Practice," a copy of this letter will be available electronically from the Publicly Available Records System component of NRC's ADAMS. ADAMS is accessible from the NRC's Web site at <http://www.nrc.gov/reading-rm/adams.html>.

If there are any questions regarding this action, please contact Tilda Liu, Project Manager for PGDP, at (301) 492-3217, or via e-mail to Tilda.Liu@nrc.gov.

Sincerely,

/RA/

Peter J. Habighorst, Acting Deputy Director
Division of Fuel Cycle Safety
and Safeguards
Office of Nuclear Material Safety
and Safeguards

Enclosure:
As stated

Docket No. 70-7001
Certificate No. GDP-1

cc:
Mr. Randall M. DeVault
U.S. Department of Energy
P.O. Box 2001
Oak Ridge, TN 37831

Mr. Vernon Shanks, Manager
Nuclear Regulatory Affairs
Paducah Gaseous Diffusion Plant
P.O. Box 1410
Paducah, KY 42001

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***via e-mail**

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DATE	8/21/2012	8/16/2012	8/21/2012	8/28/2012	8/28/2012

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DOCKET NUMBER: 70-7001

CERTIFICATE NUMBER: GDP-1

CERTIFICATE HOLDER: United States Enrichment Corporation
Paducah Gaseous Diffusion Plant
Paducah, Kentucky

SUBJECT: COMPLIANCE EVALUATION REPORT REGARDING REVISION
TO DECOMMISSIONING FUNDING PROGRAM DESCRIPTION
AND DEPLETED URAIUM MANAGEMENT PLAN AND
FINANCIAL ASSURANCE FOR CALENDAR YEAR 2012
(TAC NO. L32786)

BACKGROUND

Title 10 of the *Code of Federal Regulations* (10 CFR), Part 76, "Certification of Gaseous Diffusion Plants," Section 76.35, "Contents of Application," subsection (n), requires a certificate holder to establish financial surety arrangements to ensure that sufficient funds will be available for the ultimate disposal of waste and depleted uranium and for decontamination and decommissioning activities, which are the financial responsibility of the Corporation. The funding program, which is utilized to provide financial assurance, must contain a basis for cost estimates used to establish funding levels and must contain means of adjusting cost estimates and associated funding levels.

REGULATORY REQUIREMENTS

Pursuant to 10 CFR 76.35(n), United States Enrichment Corporation (USEC) is required to provide funding, including a basis for cost estimates, for the ultimate disposal of waste and depleted uranium and decontamination and decommissioning, relating to the Paducah Gaseous Diffusion Plant (PGDP). Additionally, a condition of the Certificate of Compliance for the PGDP requires submittal of a revised financial instrument by December 31st of each year, if the current funding level requires revision.

DISCUSSION

On June 28, 2012, USEC submitted an updated Decommissioning Funding Program Description (DFP) and Depleted Uranium Management Plan (DU Plan) for calendar year (CY) 2012 for the Paducah Gaseous Diffusion Plant (PGDP) (Agencywide Documents Access and Management System [ADAMS] Accession Number ML121910522). The submittal updated USEC's CY 2012 PGDP DFP and DU Plan, dated December 22, 2011 (ADAMS Accession Number ML12006A116), as supplemented by letter dated March 14, 2012 (ADAMS Accession Number ML120830027). The staff reviewed the June 28, 2012, submittal in accordance with 10 CFR 72.35(n) and the guidance contained in NUREG-1757, Volume 3, "Consolidated NMSS Decommissioning Guidance: Financial Assurance, Recordkeeping, and Timeliness," dated September 2003. On August 6, 2012, the staff issued a request for additional information (RAI) (ADAMS Accession Number ML12215A053) supporting the review of the June 28, 2012, submittal, and USEC provided its responses to the staff's RAIs by letter dated August 7, 2012 (ADAMS Accession Number ML12228A323).

Enclosure

The June 28, 2012, submittal states that the estimated cost for disposal of waste and disposition of DU decreased due to a Cooperative Agreement between USEC and the U.S. Department of Energy (DOE) to support continued development and demonstration of the American Centrifuge Cascade Demonstration Test Program. USEC submitted a copy of the Cooperative Agreement along with the DFP and DU Plan. The terms of the Cooperative Agreement provide the transfer of "title to a certain amount of depleted uranium from the USEC to DOE." Specifically, the June 28, 2012, submittal reflects a decrease in USEC's tails disposal liability of 26,505 metric tons of DU. The staff inquired via a RAI dated August 6, 2012, regarding the potential of DOE returning some of this DU back to USEC. To alleviate this concern, USEC stated, in its response to the staff's RAI, dated August 7, 2012, that it is committed to "submitting a DFP revision to NRC with the required financial assurance within 45 days of accepting title to nuclear material returned to USEC under Article 9.03 of the Cooperative Agreement."

As a result of USEC's decreased tails disposal liability, the updated cost estimate for the PGDP CY 2012 DFP decreases from \$151.9 million to \$6.0 million, a reduction of \$145.9 million. The cost estimate contains a 25 percent contingency factor and reasonable third party labor costs.

By separate correspondence, USEC submitted the following mechanisms to reflect the reduced financial assurance: (1) a Westchester Fire Insurance Company Surety Bond reduced from \$40.9 million to \$1 million; (2) a Safeco Insurance Company of American Surety Bond Rider reducing the amount of the Bond from \$27.7 million to \$1 million; (3) Argonaut Insurance Company Surety Bond Rider reducing the amount of the bond from \$15 million to \$3.0 million; (4) an unchanged Westchester Fire Insurance Company Bond in the amount of \$1 million; and (5) an updated standby trust agreement (STA) reflecting USEC's acquisition of the surety bond riders. The staff considers these financial instruments acceptable.

In addition to the DFP, DU Plan, financial mechanisms, and Cooperative Agreement, USEC submitted DOE/NRC Form 741, signed and dated June 14, 2012 (ADAMS Accession Number ML121910518), documenting the first of two transfers of title to DU referenced under the Cooperative Agreement. USEC submitted its DOE/NRC Form 741 for the second transfer, signed and dated on August 1, 2012 (ADAMS Accession Number ML12233A292).

Based on the review of the June 28, 2012, submittal and USEC's responses to the staff's RAIs, the staff finds that the submitted decommissioning cost estimate is based on reasonable and documented assumptions, and adequately estimates the cost, at this time, for the disposal of waste and disposition of depleted uranium. Accordingly, the staff finds that the DFP meets the requirements of 10 CFR 76.35(n) and is consistent with NUREG-1757, Volume 3.

ENVIRONMENTAL REVIEW

Approval of the requested changes is subject to the categorical exclusion provided in 10 CFR 51.22(c)(19) and will not have a significant impact on the human environment. Therefore, in accordance with 10 CFR 51.22(b), neither an Environmental Assessment nor an Environmental Impact Statement is required for the proposed action.

CONCLUSION

On the basis of the staff's review, USEC has demonstrated that (1) the cost estimate of \$6.0 million for the disposal of waste and disposition of DU is consistent with NUREG-1757,

Volume 3, and is acceptable. As the cost estimate is being reduced, it is acceptable to reduce the existing financial instruments as an appropriate amount of financial assurance is still being provided.

Based on the review, the staff concludes that the financial instruments may be signed by the NRC to effect the reduction in liability. The staff concludes that there is reasonable assurance that the proposed revisions to DFP description and DU Plan and financial assurance for CY 2012 would continue to provide adequate protection of public health, safety, safeguards, security, and the protection of the environment. Therefore, the staff finds that the proposed revisions are acceptable and meet the regulatory requirements to provide financial assurance, as set forth in 10 CFR 76.35(n).

PRINCIPAL CONTRIBUTOR

Ken Kline, FSME
Tilda Liu, NMSS