Via Electronic Submission

April 6, 2015

Mr. David Henderson
U.S. Department of Energy
Office of Nuclear Energy
Mailstop NE-42
19901 Germantown Road
Germantown, Maryland 20874-1290

Ref: (1) Excess Uranium Management: Effects of DOE Transfers of Excess Uranium on Domestic Uranium Mining, Conversion, and Enrichment Industries; Notice of Issues for Public Comment, Federal Register, Vol. 80, March 18, 2015;
(2) URENCO USA, Inc. Comments to Mr. David Henderson dated January 22, 2015.

Dear Mr. Henderson:

URENCO USA, Inc. ("UUSA, Inc.") appreciates the opportunity to submit further comments to assist the Department of Energy ("DOE" or "the Department") in appropriately managing its excess uranium inventories in response to DOE's Request for Public Comments as published in the Federal Register of March 18, 2015. These comments are timely submitted, as per the deadline referenced therein.

As outlined in our January 22, 2015 comments on this topic, UUSA, Inc. is the corporate parent of Louisiana Energy Services, LLC, the licensee and operator of the nation's only producer of low enriched uranium. Along with our domestic mining and conversion colleagues, UUSA is among a small handful of companies representing the front-end of the American commercial nuclear fuel cycle. As such, we have a significant interest in the manner in which DOE manages its uranium inventories and introduces such materials into commercial markets.

The information provided in the March 18, 2015 Request for Public Comment and the Department's willingness to seek additional input from affected members of the fuel cycle community and other interested parties are important first steps in providing for a more transparent process. We commend DOE for taking this approach and urge the Department to maintain this formal and public dialogue for all near-term and future impact assessments.

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Transparency, however, is only one necessary criterion of a successful federal uranium inventory management program. Reliability and predictability are also key, as is compliance with the specific language of Section 3112(d) of the USEC Privatization Act. When evaluated against these requirements, we remain concerned that the approach articulated in the March 18 request still remains at odds with the straight-forward requirement of the Act that, "...the sale of the material will not have an adverse material impact on the domestic uranium mining, conversion, or enrichment industry." As we have previously stated, the language is clear: the test is whether there is an adverse material impact, not whether DOE transfers represent the primary or most significant impacts.

Yet, in the March 18 Request for Public Comments, DOE again relies on interpretations of Section 3112(d) that seem plainly inconsistent with both the text and the intent of the legislation. DOE notes, for example, that "If domestic industries would experience a negative condition regardless of whether DOE made a particular transfer, it would ill serve the purposes of the USEC Privatization Act for 3112(d) to block the transfer." DOE further states, "For example, if DOE transfers would be the final contribution after independent causes have pushed an industry to a given adverse state, DOE might not regard the full scope of the adversity as attributable to the transfers."

Taken at face value, these statements imply that DOE believes its authority to sell incremental quantities of uranium into the market *increases* even as the condition of the domestic industry deteriorates. This "kick them while they're down" philosophy hardly comports with the intent of Section 3112(d), which was focused on protecting the domestic uranium industry from the adverse commercial effect of uranium transfers by DOE. Consistent with the language of Section 3112(d), DOE should focus its analysis on the potential material adverse effects of its sales or transfers of uranium on the domestic uranium industry in its current condition, which is characterized by historically low prices and excess supplies. Unless and until DOE revisits this fundamental misreading of the requirements of the Act, the new factors proposed by DOE for consideration in the March 18 Request for Comments are academic at best.

With specific reference to enrichment markets and UUSA operations, we offer three additional observations:

- The February 20, 2015 updated analysis prepared by Energy Resources International, Inc. (ERI), *Analysis of the Potential Effects on the Domestic Uranium Mining, Conversion and Enrichment Industries of the Introduction of DOE Excess Uranium Inventory During CY 2015 Through 2024*, evaluates impacts on domestic fuel cycle companies against the market prices in effect as of end-January 2015. Notably, published prices for spot and long-term enrichment services fell in February and again in March 2015, now resting at $79/SWU and $87/SWU respectively. DOE should take these additional price decreases into account prior to completing its new impact assessment and releasing a new Secretarial Determination. Not only would the further fall in enrichment services prices predicted by ERI as a result of DOE LEU releases result in greater harm to the domestic enrichment producer, but DOE itself will need to expend an even greater percentage of its uranium stocks simply to compensate the down-blending work.

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- While we appreciate DOE's reading of the URENCO Limited financial statements, it should be noted that those statements apply to the entirety of the URENCO Group's production capability, including three European enrichment facilities that have been operating for decades. In contrast, URENCO USA is a relatively new facility built on a greenfield site at a cost of more than $4 billion. Its ability to recover that investment is dependent on further market developments.

- In its December 8, 2014 Request for Information, DOE sought input regarding potential mitigating steps that it could apply to reduce negative impacts on domestic fuel cycle companies in connection with its inventory releases. While offering commentary on mitigating efforts proposed by other commenters regarding the natural uranium market, DOE's March 18, 2015 Request is silent on the potential mitigation efforts proposed by UUSA for releases of low enriched uranium. We encourage the Department to again review the approaches outlined in our January 22, 2015 submission.

We welcome any questions or comments on the issues raised herein. Please do not hesitate to contact me at by email at Melissa.mann@urenco.com or by phone at 703-682-5208.

Best regards,

Melissa Mann
President

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