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Deal Reached on Key Security Program

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By NANCY ZUCKERBROD, Associated Press Writer

WASHINGTON (AP) - Russia will resume shipping nuclear fuel taken from old Soviet bombs under an agreement reached this week with an American company that buys the fuel and sells it to U.S. utilities.

U.S. and Russian government officials had expressed concern in recent months that the "megatons to megawatts" program might be in jeopardy because USEC Inc. of Bethesda, Md., and its Russian counterpart, Tenex, had been at loggerheads over the price of the fuel.

The national security program is aimed at keeping nuclear weapons out of the hands of terrorists.

USEC is a former government entity that was privatized in 1998. It is the government-appointed middleman that buys the Russian nuclear fuel. The recycled fuel accounts for about half the low-enriched uranium used in the nation's nuclear plants.

The deal, reached Thursday, was confirmed by a senior Bush administration official, who spoke on the condition of anonymity, and Massachusetts Institute of Technology physicist Thomas Neff, who conceived the program and has consulted with both governments. The agreement must be approved by both the U.S. and Russian governments.

USEC spokesman Charles Yulish declined to comment but said the company would probably issue a public statement Monday.

Under the deal, Russia would send its first shipment of fuel to the United States next month. Russia gets roughly \$500 million annually from the program, which has destroyed 5,600 warheads.

Neff said the price USEC would pay for the nuclear fuel would fluctuate with the markets annually and would be based on a three-year average.

Based on that formula and current market conditions, USEC would pay about 15 percent less for the low-enriched uranium than it pays now, Neff said.

USEC had argued that the old, fixed price, which will be in effect this year, was too high and too inflexible.

Neff said some Russian officials are concerned the new price is too low and won't increase enough annually to keep up with future spikes in the market.

"The U.S. has a strong interest in making sure that whatever is approved is not just a deal that Russia can be forced to accept now but one it could live with in the future," Neff said.

The deal would last through 2013, and the price agreement could not be re-negotiated until 2007, Neff said.

Setting a lower price is key for USEC, which has seen its stock price drop by about half in the last four years. The company made a \$41 million profit in the fiscal year that ended in June, but that was down more than 60 percent from the previous year.

USEC operates the nation's only uranium enrichment plant, in Paducah, Ky. Bush administration officials have said they want to ensure a domestic supplier of enriched uranium exists, so USEC's financial viability is considered important.

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USEC: <http://www.usec.com/>

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