



UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D.C. 20555-0001

July 6, 2000

MEMORANDUM TO: Chairman Meserve
Commissioner Dicus
Commissioner Diaz
Commissioner McGaffigan
Commissioner Merrifield

FROM: Dennis K. Rathbun, Director
Office of Congressional Affairs

Linda Portner
for

SUBJECT: CONGRESSIONAL LETTER TO THE PRESIDENT CONCERNING
VIABILITY OF USEC

Attached is a copy of a letter to President Clinton signed by Senators Mitch McConnell (R-KY), Jim Bunning (R-KY), Mike DeWine (R-OH), and George Voinovich (R-OH) and Representatives Ed Whitfield (R-KY), Ted Strickland (D-OH), and David Phelps (D-IL) expressing concern about the economic viability of USEC, Inc.

cc: OEDO
OGC
OGC (Cyr)
OPA
SECY
IG
ACNW
OCIO
OCFO
OCAA
NMSS
NRR
RES

Attachment:
As stated

Contact: Tom Combs, 415-1776

United States Senate

WASHINGTON, DC 20510

June 12, 2000

The Honorable William J. Clinton
President
1600 Pennsylvania Avenue
Washington, D.C. 20500

Dear President Clinton:

In view of the troubled financial situation of USEC, Inc. we are writing to seek the leadership of your Administration in developing a plan for a viable domestic uranium enrichment and conversion industry. We share the view that a pro-active response is far preferable to waiting until the continued operations of facilities in Kentucky, Ohio, and Illinois are no longer viable. We hope you will give this important matter your close attention.

Mr. President, for the past three years since privatization of USEC we have witnessed the continual decline in domestic production and employment in the domestic nuclear fuel sector and are concerned about the future viability of this critical industry. It has become apparent that due in part to USEC's obligation under the Russian High Enriched Uranium Agreement (HEU) and the terms dictated by the Department of Treasury for privatization, USEC's financial situation is putting tremendous pressure on its ability to fulfill the terms of the USEC Privatization Act. As a result, USEC has reduced capacity at both the Paducah and Portsmouth facilities to one quarter of their capability which has driven production cost higher. It is our fear that domestic enrichment will continue to be rendered non-competitive and ultimately displaced by the Russian material which would cause irreparable harm to the viability of the domestic enrichment industry.

It now appears that four of the most important statutory directives upon which the privatization of USEC was predicated have been violated or are being severely compromised. Congress required that if privatization were to proceed, the Treasury Secretary and USEC's Board had to assure that such privatization would:

- provide for the continuation by the Corporation of the Department of Energy's gaseous diffusion plants;
- provide for the long-term viability of the Corporation;
- provide for the protection of the public interest in maintaining a reliable and affordable domestic source of uranium mining, enrichment and conversion services; and
- not inimical to our national security;

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Increasingly it is becoming apparent that USEC financial objectives are not consistent with sustaining the long-term objectives of the Russian HEU Agreement, as well as protecting our own domestic conversion and enrichment capability. Failure to sustain domestic production is antithetical to the interests of our domestic fuel cycle, domestic nuclear power industry, the Department of Energy and the Department of Defense.

Many difficult questions must be answered before we reach a point of no return and find ourselves reliant on foreign suppliers for our nuclear fuel services. One only needs to look at the price spikes of oil to know that increasing our foreign dependance for nuclear fuel is not in our nation's best interest from an economic and national security standpoint. It is vital that your Administration outline a path forward to ensure the sustained viability of this critical matter. We hope that you will give careful consideration to the following questions.

1. Can this country afford to increase our dependance on foreign suppliers for uranium conversion or enrichment services and does this conflict with the objective of the USEC Privatization Act of "ensuring the Nation's common defense and security?"
2. Forty seven percent of USEC production has been displaced by Russian material and the conversion industry is imperiled. If USEC closes one of the two plants, is the U.S. in jeopardy of losing its ability to meet all of its enrichment and conversion needs from an entirely domestic source?
3. USEC is currently negotiating with its Russian counterparts on a five-year agreement to purchase HEU at a market-based price in 2002. Given USEC's economic interests as a private entity, do you continue to believe their role is consistent with our national security interests? What options are available to your Administration if USEC fails to reach an agreement on a "market-based" price?
4. Given the fact that AVLIS research has been ended, what steps is your Administration taking to ensure a viable domestic industry that can be competitive today, as well as a low-cost provider of enrichment services in the future? Based on USEC's weak financial situation, is it conceivable that USEC can realistically commercialize new technology without assistance from the federal government? If not, what is your Administration prepared to offer?
5. USEC leases its two gaseous diffusion plants and it may soon announce that it will close one of the two plants, which would then be returned to the federal government. Has your Administration decided which plant it would prefer to be closed and whether it should it be left in "hot standby" or if should it be shutdown to allow decommissioning to begin?

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6. Is your Administration prepared to amend the existing suspension agreement to permit USEC to purchase commercially enriched uranium from Russia?

While this is clearly a multi-agency endeavor, we look forward to receiving your plan outlining recommendations from the Enrichment Oversight Committee and any legislative recommendations that may be required. Thank you for taking time to consider the concerns we have raised and we look forward to working with you to honor the terms of the USEC Privatization Act and preserve our domestic nuclear enrichment and conversion industry.

Sincerely,

Al McConnell

Mike DeWine

Ed Whitfield

David Phelps

Tom Berman

George V. Voinovich

Ted Strickland
