

Congress of the United States
Washington, DC 20515

May 7, 2012

The Honorable Henry Waxman
2204 Rayburn House Office Building
Washington, DC 20515

Dear Representative Waxman,

We are contacting you in your position as a conferee to the Highway Bill, and we urge you to reject the Senate's position that intends to provide a \$150 million earmark for the United States Enrichment Corporation (USEC) or its ill-fated American Centrifuge Project (ACP). The time has come to stop the expenditure of taxpayer dollars on USEC's failed ACP.

Congress privatized USEC in 1997 with the expectation that the U.S. Government would no longer participate in the uranium enrichment business. History has shown that the opposite has occurred, with USEC unable to avoid bankruptcy in the absence of continued government bailouts and unable to successfully establish a functioning gas centrifuge plant. Congressional direction of taxpayer funded earmarks will not result in the successful commercialization of USEC's domestic uranium enrichment technology. Allocating federal funds will simply throw away hundreds of millions in scarce taxpayer dollars, on top of the hundreds of millions in bailouts USEC has already burned through.

One Subsidy After Another in Return for Broken Promises and Technology Failures

Over the last ten years, DOE has extended repeated economic benefits to USEC. Under a 2002 Agreement, DOE provided USEC exclusive rights to the advanced centrifuge technology that DOE had developed over more than two decades at a taxpayer cost of \$3 billion. In return, USEC simply had to adhere to basic financial and operational deadlines including continued operations of its' existing facility in Kentucky.

Adherence to the agreed upon plan did not happen. In 2007, USEC sought its first major modification of the Agreement. In 2007, 2009, 2010, and again in 2011, USEC either revised the Agreement or missed the financial and operation deadlines set out in it. Following each failure the DOE gave up its remedies under the Agreement and instead awarded USEC additional funding.

In its quest for more funds, USEC applied in 2008 for a \$2 billion DOE loan guarantee for the ACP. The Department requested that USEC withdraw its application for this project in 2009 based on concerns about USEC's centrifuge technology. Loan guarantee approval was pending in June 2011 when 6 of 38 centrifuges in operation at ACP suffered a major technical breakdown. Unlike prior crashes, this crash involved multiple problems including electrical failure and a breached outer-casing. To this day, certain issues remain unresolved.

USEC followed the centrifuge breach by missing its' November 2011 milestone for securing firm financing, and it will clearly need yet another extension for a project that has already been delayed more

than five years. Once again though, in January 2012, DOE provided support of \$44 million, agreed to continue to seek an additional \$300 million from Congress without any new schedule for completion of the ACP, and continues to pursue additional means of support to enable the extended operation of USEC's inefficient Kentucky facility.

Dismal Financial Metrics

USEC originally projected the cost of the ACP at \$1.7 billion. By 2007, that amount increased to \$2.8 billion; and in 2008 the cost increased to \$3.5 billion. At last report, the cost is estimated to be more than \$4 billion, and this estimate does not seem to take into account the improvements required to resolve the problems that led to the centrifuge crash in 2011.

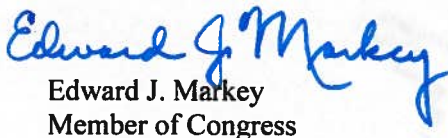
Financial results for USEC do not bode well either. USEC reported a net income loss for 2011 of \$540.7 million. USEC also saw a 47%, or \$74.2 million, year-over-year decline in gross profits. The company's stock has been trading at under \$1/share for weeks and is at risk of being de-listed from the stock exchange. There is substantial uncertainty USEC can generate future taxable income and this is reflected in its last publicly reported credit rating of CCC+. In addition to its dismal credit rating, USEC's default rating was downgraded to Caal, poor standing and high credit risk. Decline in profit and income is not the only concern; the world-wide demand for uranium enrichment services, which had been expected to increase, is down sharply. The \$150 million in support contemplated by the Senate is almost \$60 million higher than the current total market capitalization of the company. Any further taxpayer support for this company thus would carry with it a stunningly high level of risk that the entire investment would be lost.


No Further Investment in USEC is Supportable

USEC was privatized to get the United States government out of the uranium enrichment business; and while the Government no longer enriches uranium, taxpayers have been on the hook for USEC's financial and technological failures from day one. After more than a decade of bailouts it is time to protect the taxpayers from further loss. USEC has shown a consistent inability to meet the financial and technological challenges it faces. The pattern of failure and continued taxpayer funding defies logic, and adoption by conferees to the Highway Bill would be fiscally irresponsible.

We urge you to reject the Senate position as it pertains to DOE funding of USEC. Thank you for considering this information. Please do not hesitate to contact us with any questions you may have.

Sincerely,


Edward J. Markey
Member of Congress


Steve Pearce
Member of Congress