



Opening Statement and Testimony of

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Before the

**House Committee on Energy and Commerce
Subcommittee on Energy and Power**

On

Energy and Revenue Enrichment Act of 2011

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Before I begin, please allow me to take this opportunity to thank the Chairman, Ranking Member Rush, and the committee members for conducting this hearing, and allowing me to come before you to testify today on this unique opportunity to clean up waste, preserve jobs, and actually make money for the government.

Mr. Chairman and distinguished committee members, my name is Jim Key, and I am the Vice President of United Steelworkers (USW), Local Union 550, at the Paducah Gaseous Diffusion Plant (PGDP) in Paducah, Kentucky. There are approximately 850,000 active members of the USW International Union, and we are North America's largest industrial union. I represent approximately 1,000 members who are involved in uranium enrichment; environmental remediation; infrastructure; and depleted uranium conversion activities at the site, which houses our nation's last U.S. government-owned, operating uranium enrichment facility.

I do not come before you today solely as the representative of union hourly workers, but also as a representative for the non-union salaried workers at the facility, for the residents of the community of which I have been a part for the past 56 years, and the economic stability of the region as a whole. A total of 1,250 workers are employed at the enrichment facility, which is scheduled to shut down after new technology is made available. The wages of the workers at the facility turn over six to seven times within our regional community, which has a supply side affect directly on the viability of local businesses. Services and goods purchased by our combined workforce allow businesses to not only operate, but to also thrive, and provide the tax base of the community as a whole. Our region has been devastated by the shut-downs of major

industrial employers in just the last five years. It started with the loss of the General Tire plant and has accelerated with the most recent announcement of the closing of the Goodyear Tire Plant in Union City, Tenn., very close to Western Kentucky, where 1,600 family and community-supportive jobs will disappear at the end of 2011. I'm sure in an era of high unemployment, you can fully realize the impact of an additional loss of 1,250 highly-skilled employees at the gaseous diffusion plant and the devastating rippling economic effects it would have on our regional area.

In order to keep these 1,250 jobs in Paducah many of us have been suggesting that the Department of Energy start a program to re-enrich the 40,000 depleted uranium "tails" cylinders stored at the Paducah site. There are additionally over 20,000 cylinders stored at the now closed enrichment facility at Portsmouth, Ohio. Until a few years ago, these cylinders were considered as waste byproduct of the enrichment process, and an environmental liability to the government and local community. As a matter of history, Public Laws 105-204, and 107-206 were championed by Senator Mitch McConnell and enacted by Congress to build facilities to convert these tails to a more stable substance, which proves that these tails were then considered a liability to the government.

The Department of Energy has a unique opportunity to re-enrich tails left over from its former enrichment plant operations into commercially valuable natural uranium that could be sold to generate new revenue for the federal government. At the same time, the program would be a significant factor in extending operations at the sole remaining U.S. government owned gaseous diffusion plant pending transition of the U.S. enrichment industry to new technology.

The proposed program requires no appropriations. It is self-funded in that a portion of the natural uranium feed generated will be sold to pay for the enrichment.

This program is remarkable in that it actually **raises** revenue for the Federal Government through the sale of the re-enriched uranium. It is NOT a hand-out or a giveaway. This program would utilize all the resources of the Paducah plant while it is still operational. Once the plant shuts down, re-enriching tails becomes significantly more expensive for the government because of transportation costs and the benefit of the program is greatly reduced.

This issue is critically important to the members of United Steelworkers Local 550 in that it provides the best opportunity to extend our production jobs at the Paducah plant, at a time when manufacturing employment is at record lows and the regional economy is still sputtering to recover from the nationwide recession, as shown in the latest jobs report.

And, there is good reason to believe that the loss of its second largest industrial customer will lead the Tennessee Valley Authority (TVA) to act on its plan to begin closing its electrical power plant near the plant where I work; causing further job loss of good jobs in a region that desperately needs them.

After hearing about such a productive program, I am sure you are asking yourself – why are we not implementing such a program?

To answer that question, we actually think that DOE could do this without legislation, but because of DOE inaction on this issue over the past several years, I believe legislation is now warranted. To that end, I ask that you fully endorse H.R. 2054, authored and introduced by Congressman Whitfield for its successful passage in the House of Representatives and concurrent support by you with your counterparts and colleagues in the Senate.

While DOE currently has a self-imposed policy, which only allows it to introduce enriched uranium into the market at 10% of the domestic uranium demand, we believe that this quota is not conducive to allow domestic uranium enrichment processes and programs to reach their full potential and value. At current market value, a return of between \$230 million and \$500 million dollars per year can be realized with the implementation of the pilot tails re-enrichment program we are discussing today. I would also submit to you that the returns should be deposited into the uranium decontamination and decommissioning (D&D) fund, which H.R. 2054 seeks to do, and provide any additional revenue it creates to the re-industrialization of the sites at Paducah, Kentucky and Portsmouth, Ohio

Finally, there comes the issue of right and wrong...when the United States needed a reliable supply of enriched uranium for its weapons program, it turned to Paducah and other nuclear sites around the country for help. They found strong communities and good people who were proud to assume that responsibility in spite of the hazards that came with it.

For nearly 60 years, this community has been home to millions of tons of DOE's waste tails and now that the tails are recognized to have value, Paducah, the region and the plant employees should be the ones to benefit. To even consider shipping the tails away from Paducah to another facility is simply wrong. The highly trained sons and daughters of those original enrichment employees continue working hard to provide a safe operating facility, at outstanding production levels, providing a reliable vital service at the Paducah plant, and they deserve the chance to protect their jobs and the regional communities in which they live, by re-enriching these tails.

I urge you to support H.R. 2054. I would be happy to answer any questions that Committee members may have. Thank you

Background

This plant has a long history of providing a great benefit to the country. From its days as a key component of America's national security to its current role in helping dismantle 20,000 Russian nuclear weapons and providing fuel to operate nuclear power plants, the Paducah Gaseous Diffusion Plant has long been a treasured national asset.

The Paducah plant is in the twilight of its great career. It is very energy intensive to operate and USEC, the company that operates it, is transitioning to a new plant technology. The plant's current power contract ends in the middle of 2012, but I understand that the company is negotiating with TVA to extend it.

It is in this context that we are presented with such a unique opportunity.

Until 1998, the U.S Government was responsible for enriching uranium. One byproduct of the enrichment process is depleted uranium "tails" which have limited use and are stored for disposal. From its decades of enrichment operations, the Department of Energy has a massive inventory of depleted uranium "tails", some 61,550 cylinders at Paducah and the former gaseous diffusion plant in Piketon, Ohio.

Left as they are, the Department at some point will be obligated to safely dispose of these tails and in fact DOE has constructed facilities at both plants to convert and dispose of these tails, a process that will take up to 25 years.

However, some of those could be re-enriched into commercially valuable natural uranium, a commodity that could generate revenue for the government. If DOE paid an enricher to re-enrich the tails, it could sell the resulting natural uranium on the open market. Some of the natural uranium produced could be sold to pay for the re-enrichment of the tails, with others parts sold to pay for other activities such as clean-up of the Portsmouth and Paducah plants, or could be held in inventory by DOE for future uses. It is my understanding that Representative Whitfield's bill could generate \$500 million in federal revenue, and the total net value of the tails has been calculated to be as much as \$4 billion.

Whitfield Legislation

The USW supports the intent of the Whitfield legislation to establish a pilot project at Paducah to re-enrich these tails. We think it makes sense economically and environmentally and we believe that extending work at Paducah is sound policy.

It goes without saying that we support keeping 1,200 people working. These are good jobs that pay well and if they are gone, they will not be easily replaced. What will the cost to the government be of these workers losing their jobs?

Many of these people have dedicated their entire lives to the Paducah plant. They exemplify a culture of safety. And despite operating a plant more than a half-century old, they continue to perform at the highest levels in the plant's history. Throwing away these jobs in today's economic environment simply makes no sense.

Economically this project makes sense. First, it will convert what is currently a liability, the depleted tails, into an asset that will generate revenue for the government. The Department of Energy is obligated to clean-up its sites, such as the Paducah site and the Portsmouth site in Ohio, both which hold depleted tails. If these tails are not put to good use, they will represent an added cost of clean-up to DOE.

It also makes sense to deploy this project while Paducah is operational. Some have argued that newer centrifuge enrichment plants are better placed to re-enrich these tails. This is wrong for two reasons. One, the new plants are generally built to meet contracted demand. These facilities are already under long-term contracts for their services and will not have the excess capacity needed to undertake this project. Paducah does, and will.

Also, the centrifuge plant in Idaho and USEC's new plant in Ohio are still years away. The New Mexico plant experienced problems upon start-up and its initial operation will also be delayed.

Even if the new centrifuge plants had capacity and were online, DOE would be paying the market rate for enrichment services whether those services were performed at Paducah, or at the new plant. If DOE were to wait until new plants were on-line, there would be no guarantee that it would be any cheaper in the future. If the government decided to re-start Paducah later solely to re-enrich tails, it would do so at great cost, challenging the economics of the project.

Finally, some have suggested that DOE could even use existing enrichment capacity in other countries. I summarily reject the idea that important operations of the U.S. government should be outsourced to foreign entities on the backs of American workers.

The Bigger Picture

As I have detailed above, the USW supports the principles of this legislation and believes the project stands on its own merits. However, it is important to understand how it fits into a larger context here. This project provides the best opportunity to extend jobs and the Paducah plant at a time when manufacturing employment is at record lows and the regional economy is still attempting to recover from the nationwide recession.

With the recent closure of the General Tire plant in nearby Mayfield, Kentucky and Goodyear Tire & Rubber Company's announcement that it will close its production facility in West Tennessee at the end of the year, western Kentucky workers are already struggling to support their families.

Be assured that shutting down enrichment operations at the Paducah plant will have ramifications far beyond the 1,200 people the enrichment plant employs. The plant and its workers are cornerstones of the local economy, with their wages turning over 6 to 7 times within the regional businesses, stores, and service sector industry, providing \$50 million dollars annually for the economy. The plant frequently uses members of the local construction trades to work on special projects as do our major electricity providers, TVA's Shawnee Steam Plant, and the Electric Energy Incorporated facility in Joppa, Illinois.

If the re-enrichment project does not happen and the Paducah plant shuts down, there is good reason to believe that the loss of its second largest industrial customer will lead TVA to act on its plan to begin closing its Paducah's Shawnee Steam Plant with additional loss of hundreds of good jobs.

Finally, there comes the issue of right and wrong....when the United States needed a reliable supply of enriched uranium for its weapons program, it turned to Paducah and other nuclear sites around the country for help. They found strong communities and good people who were proud to assume that responsibility in spite of the hazards that came with it. This community supported the country and we don't think it is out of line to expect the country to support this community.

For nearly 60 years, this community has been home to millions of tons of DOE's waste tails and now that the tails are recognized to have value, Paducah and the plant employees should be the ones to benefit. To even consider shipping tails away from Paducah to a foreign-owned, non-union enrichment company is simply wrong. The highly trained sons and daughters of those original enrichment employees continue working hard, and safely to provide a vital service at the Paducah plant and they deserve the chance to protect their jobs by re-enriching these tails.

Conclusion

This bill is based on the premise that the government should utilize valuable resources at its disposal to generate great American economic and environmental benefits. The USW believes that is a sound policy to pursue.

If you agree with that premise, then the question becomes where to en-rich those depleted tails. Clearly, I believe Paducah is the answer to that question. The plant is ready to perform the task now, it possesses the excess capacity to do the project, DOE will pay the same market rates it would pay elsewhere and doing so will save some 1,200 plus jobs at a time when we can ill afford to just let them go. Moreover, I believe this community over the past 60 years has earned the right to pursue this project.

This bill is not an ear-mark, it is not a government hand-out, and it will not cost the government or the taxpayers one cent. To the contrary, the government would make money.

How many bills will you vote on this session that can make that claim? This is a case of the government making a sound policy and economic decision to utilize an important national resource for the benefit of the entire country.

On behalf of the United Steelworkers Local 550, and its members who perform the work at the Paducah Gaseous Diffusion Plant, I thank Chairman Whitfield for his leadership on this issue and I urge Congress to work quickly to pass this important legislation. Thank you.