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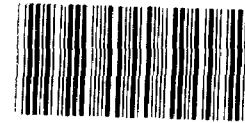
Testimony

For Release  
on Delivery  
Expected at  
10:00 a.m. EST  
Wednesday  
August 10, 1988

The Future of DOE's Uranium Enrichment  
Program

Statement of  
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Before the  
Subcommittee on Energy and Power  
Committee on Energy and Commerce  
House of Representatives



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## SUMMARY STATEMENT

The Department of Energy's (DOE) uranium enrichment program faces a bleak financial future unless the Congress takes some action to address its many problems--the most significant is the sizable amount of previously incurred costs. At the end of fiscal year 1987, these costs totaled about \$9 billion. For the last year, the Congress has considered a number of proposals to restructure the enrichment program as a government corporation to allow it to operate in a more business-like manner. However, because of uncertainties due to domestic uranium miners' litigation over possible restrictions on DOE's enrichment of foreign uranium ore, some of the proposals--including H.R.4489, H.R.4934, and H.R.4975--would provide financial support for the domestic uranium mining industry.

In general, we see merit to the Congress' restructuring the enrichment program as a government corporation subject to the Government Corporation Control Act, but we have some concerns with other aspects of the legislative proposals. First, the proposals would require the new corporation to repay only \$364 million in past costs, and most of this would be used to clean up uranium mill tailings and/or purchase uranium ore. In 1986 DOE began pricing its enrichment services to recover about \$3.4 billion. Since the lower cost recovery amount ignores DOE's pricing strategy and the productive capability of the existing enrichment facilities, we strongly support a higher cost repayment figure.

Second, the proposals would require the corporation to establish a fund to decommission only two of the three enrichment plants and do not transfer the Oak Ridge plant to the new corporation. The Oak Ridge plant's decommissioning costs--estimated to be about \$1 billion--will remain DOE's responsibility. We have long supported the concept that decommissioning costs should be paid by the current beneficiaries of the services provided. However, DOE has not collected even \$1 to decommission any of its three plants. In an October 1987 report, we recommended that the Congress require DOE to recover such costs.

Last, H.R.4489 and H.R.4975 would establish a fund to clean up uranium mine sites. H.R.4489 would also impose fees on utilities based on the amount of foreign ore used in their nuclear power plants, and H.R.4975 would also provide for the purchase of at least \$750 million or uranium ore from domestic producers. The exact amount of ore will be determined through a competitive bid process. However, DOE already has a uranium ore inventory of about 53,000 metric tons that it uses to meet defense production needs and optimize production costs. This inventory will not be depleted for at least 10 years. Thus, H.R.4975 will substantially increase an already sizable stockpile of uranium.