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Report says DOE lacked authority to give Energy Northwest depleted uranium

By Annette Cary Tri-City Herald June 9, 2014

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The Department of Energy lacked authority to give Energy Northwest depleted uranium at no cost as part of a complicated nuclear reactor fuel deal in May 2012, according to a Government Accountability Office report released Monday.

DOE disagreed with the GAO's assessment, part of a report that looked at how DOE conducted four transfers of uranium, with just one of those transfers to Energy Northwest.

Energy Northwest previously has defended its deal against critics who have questioned whether it made financial sense for Northwest ratepayers who use electricity produced by the company's nuclear power plant near Richland, the Columbia Generating Station.

Although Energy Northwest did not have to buy the depleted uranium stored by DOE, it did have to pay U.S. Enrichment Corp. about \$700 million to enrich the uranium at a 60-year-old Paducah, Ky., plant. That allowed the plant to continue operating longer, but it has since shut down and filed for bankruptcy protection.

Energy Northwest offset costs of the purchase by selling some of the fuel to the Tennessee Valley Authority, which the federal government was interested in for national security reasons. The deal made available U.S. uranium and U.S. enrichment services for the production of tritium by the Tennessee Valley Authority, which is licensed to produce tritium for the nation's nuclear weapons program.

DOE did not follow the law and lost hundreds of millions of taxpayer dollars in the four uranium deals covered by the report, said Sen. Edward Markey, D-Mass., in a press release. Markey and Rep. Michael Burgess, R-Texas, requested the GAO report.

In the Energy Northwest deal, the GAO report concluded that DOE likely did not have authority to transfer the uranium under restrictions imposed by the USEC Privatization Act. DOE disagreed, saying it has authority under the Atomic Energy Act.

The GAO report said that if DOE did have authority under that act, it did not meet the act's requirement to charge a price for the uranium.

DOE determined the depleted uranium was a liability rather than an asset and could be transferred for no payment, according to the report. DOE found there were other benefits to the deal, including making uranium available for tritium production for 15 years and retaining jobs at Paducah for another year.

An alternate analysis put the value of the fuel at \$195 million, according to the GAO report. It also pointed out that in 2013, DOE received a commercial expression of interest in purchasing some of the depleted uranium.

The GAO report took no issue with Energy Northwest's role in the deal.

Energy Northwest has said the deal locked in nine years' worth of fuel for its nuclear power plant at a cost significantly lower than the market price at the time of the purchase as well as forecasted market prices. It allowed the ratepayers of the Northwest access to \$236 million of fuel at a cost of less than \$65 million, said

Energy Northwest spokeswoman Angela Walz.

However, McCullough Research, a Portland energy consulting firm, has questioned whether Energy Northwest used an unusually low discount rate, one lower than inflation, to value its payments from the Tennessee Valley Authority. Robert McCullough has said that Energy Northwest paid more than the market price for the uranium and that the price has since fallen.

-- Annette Cary: 509-582-1533; acary@tricityherald.com; Twitter: @HanfordNews

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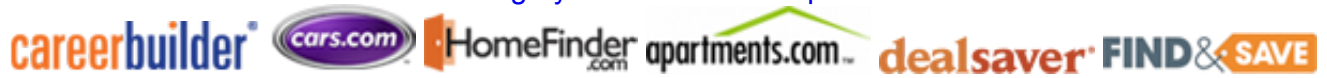
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