

BEFORE THE U.S. INTERNATIONAL TRADE COMMISSION

**LOW ENRICHED URANIUM FROM FRANCE
INV. NO. 731-TA-539-C (SECOND REVIEW)**

**TESTIMONY OF
JOHN DONELSON
VICE PRESIDENT, MARKETING, SALES AND POWER
USEC INC.**

September 10, 2013

Good morning Commissioners, Staff. My name is John Donelson and I am Vice President of Marketing, Sales and Power at USEC Inc. I thank you for this opportunity to address you today. I have been with USEC since 1995, and in my current position, I am responsible, among other things, for supervising the sales and marketing of our enriched uranium products in the United States and abroad. Prior to that time, I was the uranium enrichment buyer for Duke Energy, a major U.S. utility. In total, I have been involved in the purchase or sale of LEU for over 20 years.

In my testimony today, I will discuss five points that are critical for the Commission's assessment of likely injury if the antidumping duty Order were revoked:

1. Areva remains a major competitor in the U.S. market;
2. the nature of contracts in the market for nuclear fuel;
3. the critical importance of price in utilities' purchasing decisions;

4. how one competitor, i.e. Areva, offering low prices can have a profound effect on the market as whole; and
5. the likely market effects of a revocation of the antidumping duty Order, and how that would impact USEC.

First, I was not surprised to read in the ITC Staff Report that despite Areva claiming not to have imported LEU to the United States since 2007, Areva continues to have a major market presence. Table II-10 in the Staff Report shows Areva's continued market presence and indicates that even in 2014, Areva will hold a greater market share than it had in 2012 or 2013. Given Areva's aggressive behavior in the market, this increase in market share does not surprise me either. Our own market research shows that their U.S. market share will increase in the years to come.

I, and others at USEC, have assumed for some time that the only way Areva could continue selling, contracting and delivering LEU in the United States without paying duties was that they had made some deal with Urenco, their joint venture partner, to trade markets or supply each other's customers or something along those lines. I hope that the confidential version of the Staff Report has data and other information on this, but my main point is that Areva has never left the market and Areva continues to sell aggressively in the United States.

Second, as in the investigation and first review, it was noted that long term contracting was the most prevalent form of contracting for LEU in the U.S. market and that the loss of a major long-term contract can have a significant negative impact for an enricher. These observations remain true today, as does the corresponding impact on USEC.

If the Order were revoked, I fully expect that Areva would attempt to sell even greater amounts of LEU in the U.S. market, particularly their own, French-produced and unfairly traded LEU. Areva would do so by signing long-term contracts with U.S. utilities. The loss of these long term sales would be devastating for USEC. I can't replace sales taken by Areva with other sales. The U.S. customer base is fixed and even declining in the intermediate term. This is revenue lost to me for a number of years.

As Mr. Sewell explained, these lost sales would have a decisive negative effect on our company as we transition to commercial deployment of the ACP. I am going to be as clear as I can be here – my job is to sell the future output of the ACP. If I can't do this because Areva is selling dumped LEU and taking sales I should be able to get, there will be nothing to sell because there will be no ACP plant for us to produce LEU. It is that stark.

Third, the Commission has repeatedly and correctly found that sales of LEU are generally made on the basis of price, and that the enricher with the lowest

evaluated price will always win the sale. Today, in my experience in the market, price remains the key determinant in a utility's purchasing decision, and the low priced supplier continues to take the sale.

If the antidumping duty Order were revoked, Areva would try to take more sales in the U.S. market through the same type of aggressively low pricing that the Commission saw in the original investigation. This is not just speculation. In third country markets where there is no antidumping duty discipline, we have experienced Areva's pricing policies first hand, and have lost substantial sales there, as explained in our pre-hearing brief at pages 78-79. In view of Areva's pricing practices in third country markets, and given the fact that utilities continue to treat price as the most important factor in their purchases, I have every reason to believe that Areva would be equally as aggressive in the U.S. market if given the opportunity.

Fourth, with only four companies competing for long-term sales in the United States (and three companies if you consider Areva and Urenco as a single entity as they seem to be these days), the actions by one company resonate and have a profound effect on the market. This is pretty basic economics, but it certainly is the reality to me in the LEU market.

Finally, Phil Sewell has explained the positive effects that the antidumping duty Order has had for USEC's operations and for our American Centrifuge

Project. I'd like to say a few words about the impact this Order has had on the U.S. market for LEU.

When USEC filed its antidumping and countervailing duty petitions against imports from Western Europe in late 2000, SWU prices were at historic lows. After a thorough investigation, the Commission found that this price depression was caused by Cogema – now Areva – and Urenco, their unfairly traded imports, and their pervasive and aggressive underselling. Thanks to the antidumping and countervailing duty Orders that were imposed in 2002, market prices increased over the next few years and, as we signed new contracts at these higher prices, allowed USEC to cover our significantly increased power costs, and help fund our critical centrifuge project.

The tragic events at Fukushima in 2011 led to reactor shutdowns in Europe and Japan. These shutdowns resulted in excess LEU supply, which Areva would, if allowed, direct towards sales in the U.S. market, particularly because Areva needs to find demand for its expanding production in France.

Let me briefly discuss prices. Just as prices for LEU recovered almost instantly after this trade action was initiated, we expect that prices would decline just as quickly if the Order were revoked and dumping resumed, as U.S. utilities adjusted their price expectations to take into account the additional supply of

unfairly priced French LEU that would become available in the market. This price decline would impact USEC in three ways.

First, because current market prices are considered by utilities when signing long-term contracts, a reduction in market prices would lower the price at which we signed long term contracts. Thus, even if USEC were able to win a contract, it would be at a lower price, and would yield lower revenue over the life of that contract, thereby reducing our ability to commercialize ACP.

Second, and more imminently, USEC would lose revenue under contracts that contain market-based pricing provisions. These market-based pricing provisions would require USEC to reduce its prices if market price indicators fall.

Third, USEC would immediately lose revenue on its sales of LEU made in the spot market. While these sales represent a minority of our business, this impact would still be felt.

#####

For all of these reasons, and based on my experience in the U.S. LEU market as both a buyer and seller of nuclear fuel, I am confident that if the antidumping duty Order were revoked, USEC would again be injured by imports of LEU from France.