

REVISED
DRAFT

**WORK FORCE RESTRUCTURING PLAN
FOR
PORTSMOUTH PLANT, OHIO AND
PADUCAH PLANT, KENTUCKY**



June 2000

Table of Contents

NOTE	1
I. Introduction	2
II. Plant Histories	3
III. Work Force Restructuring To Date	4
A. Pre-Privatization	4
B. Post-Privatization Work Force Restructuring Through June 30, 2000	4
1. Treasury Memorandum of Agreement	4
2. DOE/USEC MOA	5
IV. Community Transition To Date	6
A. Paducah Gaseous Diffusion Plant (GDP)	6
B. Portsmouth Gaseous Diffusion Plant (GDP)	7
V. Programs to Mitigate Work Force Restructuring Announced on February 3, 2000	8
A. Notification From, and Consultation With, USEC	8
B. USEC Separation Programs and Procedures	9
C. USEC Selection Process for Reduction-in-Force (RIF)	9
1. Salaried Employees at Portsmouth and Paducah	9
2. Hourly Employees at Portsmouth	10
3. Hourly Employees at Paducah	10
D. Severance Pay and Other Benefits of IRIF Employees	10
E. Enhanced Separation Benefits	11
1. Medical Benefits Program	11
2. Education and Training Assistance	12
3. Outplacement Assistance	13
4. Relocation Assistance	14
5. Voluntary Separation Incentive Programs	14
F. Trade Adjustment Assistance	15
VI. Programs to Promote Transition of Displaced Workers to DOE Funded Activities	15
A. Proposed Additional FY 2000 and FY 2001 Funding	15
B. Preference-in-Hiring	17

VII. Potential Additional Community Assistance 17
 A. Paducah, Kentucky 18
 B. Portsmouth, Ohio 18

Appendices

Agreement Regarding Post-closing Conduct Appendix A
Reimbursement Agreement Letter Appendix B
Preference-in-Hiring Procedures Appendix C

NOTE:

PROVISIONS OF THIS PLAN ARE NOT INTENDED TO REPLACE NORMAL SEPARATION BENEFITS TO WHICH ELIGIBLE CONTRACTOR EMPLOYEES WOULD NORMALLY BE ENTITLED UNDER THEIR CONTRACT, COLLECTIVE BARGAINING AGREEMENT, OR PREVIOUSLY ESTABLISHED COMPANY HUMAN RESOURCES POLICY, UNLESS SPECIFICALLY OTHERWISE INDICATED.

ALL BENEFITS ARE SUBJECT TO AVAILABILITY OF APPROPRIATED FUNDS. THE DEPARTMENT OF ENERGY RESERVES THE RIGHT TO MAKE CHANGES IN THIS PLAN AS CIRCUMSTANCES DICTATE.

THERE IS NO GUARANTEE THAT ANY SUBSEQUENT PROGRAMS WILL OFFER BENEFITS EQUAL TO THESE. NOR IS IT THE INTENT OF THE U.S. DEPARTMENT OF ENERGY IN IMPLEMENTING THIS PLAN TO CREATE ANY PRIVATE RIGHTS OF ACTION OR CREATE ANY RIGHTS IN THIRD PARTIES.

I. Introduction

This work force restructuring plan has been developed to fulfill the provisions of the Energy Policy Act of 1992 and the Omnibus Consolidated Rescissions and Appropriations Act of 1996 relating to the Department of Energy's (DOE) responsibilities in the case of a plant closing or mass layoff at the Portsmouth, Ohio, or Paducah, Kentucky, Gaseous Diffusion Plants (GDP). Those statutes authorize DOE to treat any adversely affected-employee in a manner consistent with the provisions of section 3161 of the National Defense Authorization Act for Fiscal Year 1993. This plan updates the work force restructuring plan submitted to the Congress in October 1997.

A prior draft plan was provided to local area stakeholders for review and comment. The Office of Worker and Community Transition (the Office) held a day-long meeting on March 6, 2000 with a full range of stakeholders to discuss the draft plan and issues relating to this work force restructuring. The Office has conducted ongoing consultation with worker representatives, elected officials and community organizations related to the provisions of this plan. A record of all comments will be kept and the basis for rejecting specific recommendations in the final plan will be maintained and documented.

DOE has developed this revised draft plan in consultation with the United States Enrichment Corporation (USEC), a private enterprise that currently operates the two plants, as well as with the Paper, Allied Industrial, Chemical and Energy Workers International Union, (PACE) as well elected officials and other local stakeholders.

Through its Site Offices at Portsmouth, Ohio, and Paducah, Kentucky, the Department will provide a full opportunity for local and regional stakeholders who may be affected by work force restructuring to comment on this draft.

Copies of both the draft and the final plans will be placed in the U.S. DOE Environmental Information Center at 3930 Perimeter Road, Piketon, Ohio, 45561, (740) 289-3317, and at the DOE Environmental Information Center at 175 Freedom Blvd. Kevil, Kentucky, 42053, (270) 463-2550. Copies will also be available at the Paducah Public Library, 555 Washington St. Paducah, Kentucky, 42002, (270) 442-2510.

The plan can also be viewed on the DOE Office of Worker and Community Transition homepage at <http://www.wct.doe.gov/>.

- **Work Force Restructuring Announcement**

On February 3, 2000, USEC announced its intention to reduce approximately 850 positions at the Portsmouth and Paducah plants, beginning in July, 2000. The announcement indicated that the company has concluded that these reductions are required in response to declining market

conditions. Subsequently, due to normal attrition, increased project work, retention of more DOE work than anticipated, and other factors, the number of anticipated reductions was revised by USEC from 850 to approximately 625. Some of these reductions are expected to occur later than July, 2000 and could be offset if USEC is successful in bidding on additional DOE work. The programs under this plan shall cover workers separating pursuant to the revised estimate through May 31, 2001. Separations associated with the plant closure at the Portsmouth plant announced by USEC on June 21, 2000 will be covered under a subsequent work force restructuring plan developed specifically for that plant closure.

The revised estimated reduction of 575 positions includes approximately 235 employees at Paducah and about 340 at Portsmouth. The Paducah reductions include about 158 salaried and 77 bargaining unit positions. The Portsmouth reductions will include about 183 salaried and 157 bargaining unit positions.

While DOE has no ongoing role in overseeing USEC work force management or its operations, under the provisions of the Energy Policy Act and section 3110 of the Omnibus Consolidated Rescissions and Appropriations Act of 1996, DOE retains the responsibility to apply the requirements and objectives of section 3161 to mitigate the impacts of any future work force restructuring involving workers who were employed at the GDPs prior to July 1, 1993. In meeting this responsibility, the Department will consult with USEC to secure necessary information.

The Secretary of Energy on February 3, 2000 indicated that the Department does not support these reductions but is committed to honor its responsibilities to mitigate the impact of the reductions consistent with the objectives of section 3161.

As described in this plan, the Department will reimburse USEC for costs associated with voluntary separation incentive programs and enhanced separation benefits to reduce the number of involuntary separations that may be necessary as a result of this work force restructuring and to mitigate the impact on workers who are separated. The company will work closely with unions, state and local officials, the Department and Congress in support of timely implementation of worker and community transition programs.

II. Plant Histories

The Paducah GDP began production of enriched uranium in 1952. The plant's mission of uranium enrichment has remained unchanged, and the original facilities are still in operation, albeit with substantial upgrading and refurbishment.

The Portsmouth GDP, built in the 1950s, was needed to provide Uranium-235 at rates

substantially above those of the existing production facilities at Oak Ridge, Tennessee, and Paducah. Portsmouth was chosen in the late 1970s as the site for a new enrichment facility using gas centrifuge technology. Construction of the Gas Centrifuge Enrichment Plant began in 1979 but was halted in 1985 because the demand for enriched uranium decreased, and laser technology promised to be a more efficient and economical supply of enriched uranium for the future. The highly-enriched uranium (HEU) operations were shut down beginning in 1991.

The Energy Policy Act of 1992 mandated that the management of the uranium enrichment enterprises at Portsmouth and Paducah be assumed by USEC. As a result, the DOE and USEC entered into a six-year lease effective July 1, 1993. USEC subsequently became a fully private corporation on July 1, 1998.

As of June 2000, a total of approximately 3,700 workers were employed at the GDPs, approximately 2,040 at Portsmouth and 1,660 at Paducah. At that time, the DOE was funding work activities such as surveillance and maintenance and environmental cleanup covering approximately 800 of these workers, through Bechtel Jacobs Company, procured staff services from USEC, and subcontractors.

The Department has a direct interest in utilizing workers who have experience in the operations and safety policies at these sites and, who already possess, or can rapidly receive, necessary security clearances.

III. Work Force Restructuring To Date

A. Pre-Privatization

A work force restructuring plan was submitted to Congress for Portsmouth and Paducah in October 1997. The plan provided separation procedures and benefits that paralleled those available at Oak Ridge, in recognition of the integration of the involved contractors. Between Fiscal Year 1995 and the implementation of privatization in July 1998, a total of 260 workers were separated at the GDPs, all but 14 of whom were separated from Portsmouth. Only 37 of these separations were involuntary.

B. Post-Privatization Work Force Restructuring Through June 30, 2000

1. Treasury Memorandum of Agreement

As part of the implementation of privatization, USEC entered into an agreement, (relevant portions of which are included in Appendix A) with the Department of the Treasury on July 14, 1998, that included the following provisions relevant to maintaining

the work force at the GDPs:

- a. USEC committed to operate until at least January 1, 2005, the two gaseous diffusion plants for the provision of enrichment services at a level reasonably determined to be appropriate by the USEC companies. USEC could be relieved from this commitment if certain “significant events” occurred, including a number of business performance measures specifically defined in the agreement.
- b. USEC further agreed, “to the extent commercially practicable. . . to take steps calculated in good faith to ensure that work force reductions at the plants through USEC’s Fiscal Year 2000 (June 30, 2000) do not exceed 500 employees and are effected in substantially equal parts in each of USEC’s Fiscal Years 1999 and 2000.”
- c. USEC was to seek to achieve such work force reductions through a program of voluntary separations before instituting involuntary separations and provide benefits to the work force that are no less generous than would have been the case prior to privatization.

2. DOE/USEC MOA

In order to implement the provisions of the USEC/Treasury MOA, DOE entered into a separate agreement with USEC on June 30, 1998. This agreement established a voluntary separation incentive program (VSIP) that provides payments equal to an additional one week’s pay per year of service, which were double the level provided under regular severance; and a choice between a menu of enhanced benefits, under certain terms and conditions, including outplacement assistance, career transition assistance, relocation assistance, pre-and post-separation education assistance, and displaced worker medical benefits, or a lump sum payment of \$7,500. A \$20 million fund provided from a portion of assets available as a result of privatization was established to cover the costs of these separation benefits.

- a. Voluntary Separations - Through March 2000, a total of 494 workers participated in the MOA VSIP, including 301 workers at Portsmouth and 193 workers at Paducah. An additional six workers are identified but at management’s request they have been asked to extend their work periods due to critical skills needs. Participants included 308 salaried workers and 164 hourly workers. As a result, no involuntary separations were required. Approximately 90 percent of the separating workers have chosen the lump sum cash benefit. The average value of separation benefits associated with this

program has been over \$40,000, which is substantially more generous than the value of separation benefits provided at DOE facilities.

- b. Placement/Training - USEC has been successful in reassigning employees who were in positions that were no longer required for its business needs. In addition, training programs are being utilized to allow for additional workers to be retained at the plants. The Office of Worker and Community Transition (the Office) recently approved use of funds available under the USEC/DOE MOA to defray a portion of training costs for operator positions that has the prospect for allowing as many as 15 protective force employees, who would otherwise have been separated, to remain employed at Portsmouth.

IV. Community Transition To Date

A. Paducah Gaseous Diffusion Plant (GDP)

In April 1998, the Paducah Area Community Reuse Organization (PACRO) requested and received a planning grant from the Department for \$400,000. The funding was used to conduct an analysis of the region's strengths, weaknesses, opportunities and threats (SWOT) and served as the basis for a regional economic development and worker retraining plan. The plan identified four areas for investment: facility reuse, worker reuse/retraining, entrepreneurial development and regional economic development.

In February 1999, PACRO requested \$8 million in community transition funding to implement the four investment proposals identified in the SWOT analysis. The DOE and the Economic Development Administration (EDA) in the Department of Commerce jointly reviewed and approved the grant application. In July 1999, the Department approved \$6 million to PACRO for grant implementation purposes. The grant is being used to support: 1) an entrepreneurship information clearing-house and revolving-loan fund; 2) business/industry retention and expanding marketing and technical assistance to business entrepreneurs; 3) training and re-employment coordination and skill services assessments; 4) identification of regional industrial park sites and incubator buildings; 5) marketing and recruitment of new businesses and industry; and 6) reuse, lease and sale of the Paducah GDP infrastructure assets, facilities and property inventory. The grant is expected to help economic development programs in the counties surrounding the Paducah GDP to create approximately 325 jobs in the next three years. In April 2000, the Department approved the remaining \$2 million of the initial \$8 million funding request, from funds available under the Memorandum of Agreement, to accelerate assistance in PACRO's role as leasing agent related to facility reuse and reindustrialization.

B. Portsmouth Gaseous Diffusion Plant (GDP)

In November 1995, the Southern Ohio Diversification Initiative (SODI) requested, and was awarded, a planning grant for \$325,000 from the Department. The funding was used to conduct a SWOT analysis of the region and served as the basis of a community transition plan for the area. In May 1997, SODI requested, and was awarded, \$175,000 from the Department in order to complete the SWOT study. The completed study identified six areas for investment: industrial park development, high-tech business incubator development, small business seed fund, capital improvements regional marketing plan, work force training and asset/facility reuse and an intermodal transportation facility.

In July 1997, SODI requested and received \$500,000 in community transition funding to implement the six investment proposals identified in the SWOT analysis and transition plan. An additional \$6.5 million was requested by SODI in August 1997 in order to continue implementing the initiatives in the transition plan. The Department and the EDA jointly reviewed and approved the grant in March 1999. The grant is being used for the following purposes: 1) development of two industrial parks that will include access to highway, rail, water, sewer and power; 2) regional incubator feasibility study that will support new business startups in nuclear research, environmental restoration, computer software and hardware, and biotech/medical service and products areas; 3) enterprise training and development programs that will expand jobs by creating new local businesses by providing training in entrepreneurship, business development and technical assistance; 4) labor market analysis that will improve interaction between employers and educational institutions and match current and future work force with worker training; 5) airport improvement program to enhance airport services; and 6) regional geographic information system that will perform fiscal and economic impact analyses to identify project outcomes. The grant is expected to help economic development programs in the counties surrounding the Portsmouth GDP to create 900 jobs in the next four to five years.

In December 1998, SODI requested \$5.9 million in community assistance in order to continue the implementation of the economic diversification initiatives already underway. The grant request has been approved by the Office, the EDA, and the Office of Worker Retraining and Adjustment Programs in the Department of Labor. In April, 2000, the Department provided \$3 million to fund the most immediate priority elements of this request from funds available under the Memorandum of Agreement.

V. Programs to Mitigate Work Force Restructuring Announced on February 3, 2000

A. Notification From, and Consultation With, USEC

DOE and USEC have agreed to share certain information necessary for the Department to fulfill its continuing responsibilities at the Paducah and Portsmouth plants under section 3110 of the USEC Privatization Act and section 3161 of the National Defense Authorization Act for Fiscal Year 1993. Accordingly, pursuant to section 15.8, Further Assistance, of the Lease Agreement, USEC committed to provide to DOE the following information with as much advance notice as possible but at least 60 days before USEC or its contractors implement a plant closing or mass layoff as those terms are defined in 29 U.S.C. section 2101(a)(2) and (3):

- An estimate of separation costs and estimated number of potentially affected employees who were employees of an operating contractor at either plant on July 1, 1993.
- Copies of collective-bargaining agreements, including Appendix A.
- Copies of any applicable personnel policy manual, employee handbook, or any other statement of employment terms and conditions of employment for employees not covered by a collective-bargaining agreement.
- Non-pension benefit plans and any applicable summary plan documents.
- Any defined benefit or defined contribution pension plans and any applicable summary plan documents.
- Any additional information related to the implementation of material changes to employment levels at the GDPs that may be relevant to DOE fulfilling its responsibilities under section 3161.
- In addition to the specific information requested above, under the terms of the MOA, USEC also agreed to give DOE a general notice at least 120 days before implementation of its intent to implement a plant closing or mass layoff.
- DOE acknowledged that the information requested could contain proprietary, confidential or commercial information. DOE agrees to withhold information identified as proprietary, confidential or commercial from disclosure or release to any third party, consistent with and subject to, applicable laws including the Freedom of Information

Act, 5 U.S.C. section 552. DOE agreed not disclose or release any such information claimed by USEC as proprietary, confidential, or commercial without considering the views of USEC pursuant to Executive Order 12600.

- The Office and the Portsmouth and Paducah site offices maintain ongoing communication with USEC in order to plan for potential work force restructuring, including identifying skills of potentially displaced workers in order to facilitate advance training programs to continue DOE-funded work at the sites.

B. USEC Separation Programs and Procedures

The following describes USEC's regular reduction in force programs and procedures. USEC will be responsible for funding benefits provided for under its human resources policies and collective bargaining agreements. DOE is responsible for funding any enhancements to these benefits as described in this plan.

C. USEC Selection Process for Reduction-in-Force (RIF)

1. Salaried Employees at Portsmouth and Paducah

- Employees requesting a voluntary separation will generally be approved, if by their separation their position is not filled or if another person in the facility can replace the voluntary separation candidate and the replacement's job is reduced and not filled. A senior management team will review each request to assure equity and consistency. Management reserves the right to deny voluntary separation requests, if the above criteria cannot be met.
- Personnel receiving an involuntary separation are identified by using selection criteria that include evaluating the candidates by education/experience, job competencies and other technical/functional criteria. A senior management team will review each case to assure consistency.
- Employees selected for involuntary separation can use the Employee Concern Program to raise and resolve concerns or complaints about the selection process.

2. Hourly Employees at Portsmouth

- Employees are declared “surplus” in each classification that is to be reduced.
- Declaring the surplus automatically triggers provisions in both the PACE and UPGWA labor contracts which allow for more senior employees in these classifications to take a voluntary reduction-in-force (VRIF) in place of an employee whose position has been declared surplus, if they wish.
- If enough senior employees do not participate in the VRIF, the balance of least-senior employees is involuntarily laid off.

3. Hourly Employees at Paducah

- Least-senior employees will be laid off from each affected classification. (There are no provisions for automatic VRIFs.)

D. Severance Pay and Other Benefits of IRIF Employees

Employees who are involuntarily laid off receive a severance pay allowance based on company service. Severance pay differs somewhat between salaried and hourly employees and between the two plants. The following chart provides severance pay for selected company service milestones.

Weeks of Pay				
	5 years	10 years	20 years	30 years
Salaried (both plants)	4.3	8.7	19.5	30.4
PORTS - UPGWA	4.0	9.0	16.0	23.0
PORTS - PACE	3.0	8.0	13.0	18.0
PAD - UPGWA	3.0	5.0	15.0	25.0
PAD - PACE	3.0	6.0	16.0	26.0

Involuntarily separated employees who do not elect to retire concurrently with their separation will receive the following benefits:

- Employees may continue their medical and dental coverage under the Consolidated Budget Reconciliation Act of 1985 (COBRA) for up to eighteen months. COBRA rate for this coverage is 102 percent of the total annual premium cost of the plan.
- Employees may convert from the company group life insurance policy to an individual policy directly with the insurance company, with the employee paying 100 percent of the conversion rate.
- In general, employees who have at least five years of credited service before the IRIF will be vested for a pension.
- Employees who elect to retire concurrently with their involuntary separation are eligible for retirement benefits which may differ from these IRIF benefits.

E. Enhanced Separation Benefits

The Department of Energy will reimburse USEC for costs associated with the following enhanced separation benefit programs, developed consistent with the objectives of section 3110 of the USEC Privatization Act and section 3161 of the FY 1993 National Defense Authorization Act. Specific commitments on cost reimbursement are included in the June (), 2000 letter from Jim Adkins, Vice President of Production for USEC to Dr. Gary King, Director, Office of Worker and Community Transition, included as Appendix B. The following benefits shall be available to all separating employees under the described terms and conditions.

1. Medical Benefits Program

Medical Benefits, patterned on the Department's Displaced Worker Medical Benefits Program, will be offered to all separating employees. Employees who are not eligible for such medical insurance under any other program (including another employer's group plan either as an employee or dependent, or Medicare or other retirement program coverage) may elect coverage under this program.

During the first year of separation, the Department will reimburse USEC for its portion of the former employee's medical premium, and the former employee will pay the normal employee share (i.e., the active employees' premium rate). During the second year, the former employee will pay 50 percent of the Consolidated Omnibus Budget Reconciliation Act (COBRA) rate, (i.e., 100 percent of the full cost including employer and employee contributions, and 2 percent to cover administrative expenses). The Department will reimburse USEC for 50 percent of its portion of the former employee's medical premium. During the third and subsequent years, the former employee will pay the full COBRA rate.

The former employee must certify eligibility each month to continue participation in this program and follow all other procedures and conditions established by the employer. Failure to provide timely certification will result in termination of the extended medical insurance benefits. Procedures to assist employees in the certification process will be developed.

If a former employee is eligible for coverage from another employer, but that employer's coverage contains a preexisting condition limitation or exclusion, the former employee will be allowed to receive coverage for the preexisting condition under the extended medical coverage under this program until the preexisting condition limitation or exclusion period is satisfied. Similarly, the former employee may continue coverage under this program during any waiting period before coverage under a new plan is effective.

Alternatively, a former employee may elect to continue medical coverage under COBRA. Separating employees will be provided a separate notice of COBRA benefits.

If the separating employee is eligible and elects to continue medical benefits under this program, or under COBRA, the employee's payment will be due on the first day of each month, and if the payment is not received by the 20th day of the same month, the insurance will be canceled. Medical coverage will cease. The former employee's share of the monthly premiums and the COBRA rates may change annually.

A number of stakeholders urged the Department to modify medical benefits provided in this work force restructuring plan to provide reimbursement for full employee premiums for three years. The Department will carefully consider this enhancement and make a determination on whether it will be approved prior to the beginning of the second year provisions of the program as described in this plan.

2. Education and Training Assistance

Education and training assistance will be available to assist separated employees make the transition to alternative job opportunities. This program provides education and training assistance to separated workers only for the period identified in this plan. The program will be administered by USEC, with benefit costs reimbursed by the Department of Energy.

This program is intended to supplement funding that may become available to displaced workers through future employers, state and other governmental grants and programs or programs administered by the Southern Ohio Diversification Project or the Paducah

Area Community Reuse Organization. All other available financial assistance (e.g., Job Training Partnership Act (JTPA), Pell Grants, Trade Adjustment Assistance, etc.) must be exhausted before any individual may apply for and receive funding under this Plan benefit.

The program provides a maximum benefit of up to \$10,000 (less scholarships, grants and other direct new employer assistance) for up to four years from the date of separation for an eligible displaced employee who pursues education or training for an alternate career. No more than \$5,000 may be received for these programs in any one year. Assistance can be provided for training prior to separation, if such training is directly related to an employment opportunity, subject to approval by the DOE site manager.

Reimbursement is limited to actual costs incurred upon certification by the former employee. To continue to receive reimbursement under this program, an individual receiving assistance must maintain satisfactory progress as defined by the educational institution or training program administrator. This assistance may be subject to Federal Income and Federal Insurance Compensation Act taxes; any tax liability is the responsibility of the individual receiving the assistance, and this is not part of the benefit. Individuals should contact their tax advisors for more information. DOE retains final responsibility for approval of reimbursement requests under this program.

3. Outplacement Assistance

Career Resource Centers will be established at both the Paducah and Portsmouth sites. The Centers will be staffed with individuals who are there to provide focused, individualized services to each employee visiting the Centers. USEC Site Coordinators will be provided and assigned to each Center with additional support being provided from representatives of Star Access, a provider of career management services. Also, the community organizations of Paducah Area Community Reuse Organization (PACRO), Southern Ohio Diversification Initiative, Office of Retraining and Reemployment, Community Action Organizations, and Ohio Bureau of Employment Services as well as local educational institutions will team together to provide a variety of services to USEC's employees.

Some of the services that will be provided include sessions on:

Resume/cover letter preparation, interviewing skills, how to start your own business (entrepreneurship), budgeting, and job searching both at the local and national levels. Also planned are Job Placement Fairs, Educational Fairs and Financial Services Fairs at which employees will have the opportunity to interface exclusively with prospective employers and representatives from local educational institutions and financial planning

services to assist them in their future career transitions, whether it be to return to the work force, to continue their educational goals or to retire.

4. Relocation Assistance

Relocation assistance shall be available to displaced employees in instances where other sources of such assistance are not available, including through established practices of the hiring employer, Job Training Partnership Act Title III funds, Trade Adjustment Assistance or other programs. The separated worker may claim relocation expenses for up to two years from their date of separation. This relocation assistance includes actual and reasonable expenses for transportation, movement of household goods, and temporary living expenses not to exceed \$5,000 per separated worker.

5. Voluntary Separation Incentive Programs

Workers may choose to apply for participation in the following voluntary separation incentive programs. Those approved for participation will also qualify for the enhanced benefits described in section D above under the same terms and conditions.

a. Payments Equal to Severance

Workers may volunteer to separate and receive a payment equal to severance they would receive in the event of an involuntary separation, under established USEC human resources policies and practices. Acceptance for participation in this program shall be at the sole discretion of USEC and will be based on the company's assessment of its business requirements.

b. Payment in Lieu of Severance

Workers may choose to apply to participate in a voluntary separation incentive program that provides a cash benefit in lieu of any earned severance. The cash payment will be \$17,500 for workers who began work at the plant on or before July 1, 1993, \$12,500, for workers who began work after that date and have been employed for at least one year, and \$6,250 for workers who have been employed less than one year at the plants.

Eligibility for the \$17,500 lump sum benefit will be limited to workers who were employed at the sites on or before July 1, 1993 and who have been full time

employees from that date through the date of separation. Eligibility for the \$12,500 lump sum benefit will be limited to full time workers who began work at the plants after July 1, 1993 and who have been employed at least one year at the site.

Acceptance for participation in these programs shall be at the sole discretion of USEC and will be based on the company's assessment of its business requirements. For non-bargaining unit employees, participation in these programs is conditioned on the separating employee's agreement to sign a waiver and agreement to reimburse a pro-rata share of the benefit if re-hired by USEC within six months.

The Department will reimburse USEC for costs associated with this program in excess of \$2,500 for each individual that is approved to receive a lump sum payment.

F. Trade Adjustment Assistance

The Department of Labor approved on June 15, 2000 an application for worker adjustment assistance under section 223 of the Trade Act of 1974 filed by PACE locals 5-589 and 5-550 on behalf of separating workers. The Labor Department finding states that all workers of USEC Paducah and Piketon plants who become totally or partially separated from employment after April 10, 1999 through two years from the date of certification are eligible to apply for adjustment assistance.

VI. Programs to Promote Transition of Displaced Workers to DOE Funded Activities

A. Proposed Additional FY 2000 and FY 2001 Funding

On January 28, 2000, Secretary of Energy Bill Richardson announced that the Administration will request substantial new funding for cleanup, waste management, worker transition activities and conversion projects which over a two year period more than doubles the investment at the Paducah and Portsmouth Plants. Preliminary estimates indicate that this funding could result in as many as 550-600 additional positions performing work in the Portsmouth and Paducah communities. As a result, total peak DOE funded positions at the two sites could be as many as 1,450 positions by FY 2001, made up of approximately 200 Nuclear Energy supported positions, 750 Environmental Management supported positions with currently available FY 2000 funding and the potential 500 positions that could be supported by the FY 2000 supplemental and FY 2001 budget requests. This compares to the approximately 800 positions supported by DOE funds at the two facilities at the end of FY 1999.

At Paducah, the 2001 budget request will propose the following preliminary allocation:

- \$78 million for cleanup activities;
- \$23.9 million for uranium hexafluoride conversion and cylinder management programs (including \$6 million in MOA funds for the DUF6 Conversion Project);
- \$4.3 million for environmental health and safety studies and health monitoring; and
- \$3 million for worker and community transition activities.

Cleanup funds will be used to:

- remove a pile of drums containing scrap metal (known as Drum Mountain) and begin to characterize the burial ground underneath it;
- continue to remove the remaining 51,000 tons of contaminated scrap in eight outside storage areas to reduce contamination in creeks and permit characterization of the burial grounds underneath;
- dispose of 5,000 low-drums of low-level radioactive waste; and
- ship over 2,000 drums of hazardous and radioactive waste to an offsite facility.

The FY 2000 supplemental cleanup budget request will speed up work already planned to characterize and cleanup areas of radioactive contamination, dispose of waste and stabilize shutdown facilities. Contaminated equipment would be removed from two shutdown facilities, a metals reduction plant and a feed plant, this year, at least a year earlier than previously planned.

At Portsmouth, the FY 2001 budget will propose the following preliminary allocation:

- \$76.2 million for cleanup work;
- \$27 million for the uranium hexafluoride conversion and cylinder management programs (including \$6 million in MOA funds for the DUF6 Conversion Project);
- \$4.3 million for environmental health and safety studies and health monitoring; and
- \$6 million for worker and community transition activities.

Cleanup funds will complete final corrective actions to cleanup contaminated groundwater plumes at the south side of the site. The Department will begin the design for and construction of actions to clean up contaminated soil and the plume on the northeast side of the site.

Supplemental funds in FY 2000 would be used to dispose of more than 1,000 boxes of contaminated sludge and soil. Eighteen thousand containers of mixed, low-level waste will be characterized to meet criteria for the receiving disposal facility. The waste to be disposed of includes personal protective equipment, sampling equipment, floor sweepings and other miscellaneous debris that are contaminated with low levels of radioactive material. Closing of a waste storage area would be completed this year, at least a year earlier than previously planned.

B. Preference-in-Hiring

Section 3161 includes provisions calling for preference-in-hiring of displaced workers. Eligibility provisions for this program are included in Appendix C. For purposes of USEC work force reductions, the date of July 1, 1993 should be substituted for September 27, 1991 for determining preference eligibility. DOE contractors and subcontractors will apply preference-in-hiring to USEC employees separating under this restructuring as if they were DOE contractor employees. DOE contractors and subcontractors engaging in activities at the two gaseous diffusion plants shall provide first hiring preference to qualified displaced workers, before considering preference for eligible separated workers from other DOE facilities. Preference-in-hiring and work force transition provisions will be included in any future contract solicitations or direct procurement actions at the facilities.

Recognizing the skills possessed by workers who will separate as a result of this restructuring, and the time-sensitive nature of environmental remediation work funded by the proposed budget requests, DOE contractors are encouraged to consider employment applications from workers who participate in voluntary separation incentive programs under this plan, if positions cannot be filled by involuntarily separated workers who qualify for preference-in-hiring. As previously discussed, a pro-rata reimbursement of voluntary separation incentives may be required in such cases. Contractors and subcontractors may also establish specific hiring preferences as part of the collective bargaining process to cover represented workers.

VII. Potential Additional Community Assistance

A. Paducah, Kentucky

In Fiscal Year 2000, PACRO is expected to request \$8 million for additional community assistance in order to continue the implementation associated with the regional industrial park,

infrastructure development, the construction of speculative buildings and facility reuse. PACRO intends to request \$6 million in Fiscal Year 2001 for the continuation of most of the efforts ongoing in Fiscal Year 2000 including existing industry programs, additional costs associated with the regional industrial park, infrastructure development and the construction of speculative buildings. Approval of these requests is contingent on the availability of funds, consistent with established community transition assistance criteria.

B. Portsmouth, Ohio

In late 1999, SODI held public planning meetings to develop transition strategies and projects for funding in Fiscal Year 2001. While the actual projects are not formalized, the following areas are expected to be addressed in future funding requests (\$5 - \$7 million) by SODI to the Department:

- Support of new and existing programs for the plant site work force. This may include training, outplacement services, and increased public participation programs using the local Displaced Worker Database.
- Develop reindustrialization opportunities. This may include infrastructure, building renovation, surplus disposition, and new construction.
- Support subcontracting of worker training and retraining programs, local capacity building projects, and support of business expansions and startups.
- Support of the DUF6 Conversion Plant.

Approval of these requests is contingent on availability of funds, consistent with established community transition assistance criteria.

APPENDIX A

AGREEMENT REGARDING POST-CLOSING CONDUCT

THIS AGREEMENT, dated as of July 14, 1998, is by and between the United States Department of the Treasury (“Treasury”) on behalf of the United States Government, the United States Enrichment Corporation (“USEC”), a federally chartered corporation, the outstanding capital stock of which is held by the Secretary of the Treasury, on behalf of the United States Government, United States Enrichment Corporation, a Delaware corporation (“USEC Delaware”), USEC Inc., a Delaware corporation (“USEC” Inc.), and USEC Services Corporation, a Delaware corporation (“USEC Services”) (USEC Delaware, USEC Inc. and USEC Services collectively, the “USEC Companies” and each a “USEC Company”) References herein to USEC shall be references solely to the corporation itself and not the United States Government or any other agencies or instrumentalities thereof.

WHEREAS, pursuant to the Atomic Energy Act of 1954, as amended by the Energy Policy Act of 1992 (Pub. L. No. 102-486, 106 Stat. 2776) (the “Energy Policy Act”), and the USEC Privatization Act, as enacted in the Omnibus Consolidated Rescissions and Appropriations Act of 1996 (Pub. L. No. 104-134, 110 Stat. 1321, 1321-335) (the “Privatization Act”) (collectively, the “Privatization Legislation”), the Board of Directors of USEC (the “Board”) has determined that the transfer of ownership of the assets and obligations of USEC to a private corporations and the transfer of the interest of the United States in USEC to the private sector by means of an initial public offering (the “Offering”) will satisfy the conditions precedent to privatization established by the Privatization Legislation, and the Secretary of the Treasury has approved such determination; and

WHEREAS, in connection with the Offering, it is contemplated that (i) USEC will be merged into USEC Delaware, with USEC Delaware as the surviving corporation, pursuant to a merger agreement (the “USEC Merger Agreement”); (ii) each outstanding share of the common stock of USEC will be converted into shares of the common stock of USEC Delaware; (iii) all of the outstanding shares of capital stock of USEC Delaware will be sold to certain underwriters (the “Underwriters”) to be named in an underwriting agreement among Treasury, USEC, USEC Inc., USEC Delaware and the Underwriters (the “Underwriting Agreement”), at the time on the date specified in the Underwriting Agreement (the “Closing”); (iv) USEC Delaware will be merged with a wholly owned subsidiary of USEC Inc. formed solely for the purpose of such merger, with USEC Delaware as the surviving corporation, pursuant to a merger agreement (the “USEC Delaware Merger Agreement”); (v) each outstanding share of common stock of USEC Delaware will be converted into shares of the

common stock of USEC Inc.; and (vi) the shares of common stock of USEC Inc. will be offered to the public by the Underwriters; and

WHEREAS, the USEC Companies desire to enter into a contractually binding commitment to operate until at least January 1, 2005, the two gaseous diffusion plants leased to the USEC Companies by the Department of Energy (each a "Plant" and collectively the "Plants") (subject to the terms and conditions specified in this Agreement) and to undertake any workforce reductions at the Plants during the first two years after the date of this Agreement in the manner described in this Agreement; and

WHEREAS, Treasury, USEC and the USEC Companies desire to set forth certain additional agreements among themselves relating to the Offering;

NOW, THEREFORE, in consideration of the foregoing and the agreements contained herein, and as one of the inducements for the Secretary of the Treasury to approve the decision of the Board to privatize USEC by means of the Offering, the parties hereto hereby agree as follows:

Post-Closing Conduct.

(a) USEC and the USEC Companies acknowledge that certain obligations are imposed upon USEC and the USEC Companies under the Privatization Legislation. USEC and the USEC Companies shall abide by and comply with the Privatization Legislation, including without limitation, Section 3111 (b) of the Privatization Act.

(b) From and after the Closing until the third anniversary of the Closing, the USEC Companies shall not sell, assign, transfer or otherwise dispose of, in a single transaction or a series of related transactions, all or substantially all of the uranium enrichment assets and properties or uranium enrichment operations of the USEC Companies, other than to USEC Inc. or an entity that is directly or indirectly wholly owned by USEC Inc.

(c) USEC and the USEC Companies acknowledge that the provisions of the Privatization Act provide that the Board, with the approval of the Secretary of the Treasury, shall transfer the interest of the United States in USEC to the private sector in a manner that provides for the continuation of the operation of the Plants. Accordingly, from and after the Closing until at January 1, 2005, the USEC Companies shall continue Operation of both of the Plants; provided, however, that this paragraph shall not restrict the termination by the USEC Companies of the Operation of a Plant if

a Significant Event” has occurred with respect to such Plant. For the purpose of this paragraph, (i) “Operation” shall mean the use of the Plants for the provision of enrichment services, at a level reasonably determined appropriate by the USEC Companies, and (ii) a “Significant Event” shall mean: (u) any event beyond the reasonable control of the USEC Companies including, but not limited to, fires, floods, acts of God, transportation delays, acts or failures to act of government authorities or third parties, or inability to secure labor, materials, equipment or utilities that prevents the continued Operation of a Plant by the USEC Companies, (v) that the Operating Margin of USEC Inc. is less than 10% in a twelve consecutive month period, (w) that the long-term corporate credit rating of USEC Inc. is, or is reasonably expected in the next twelve months to be downgraded below an investment grade rating, (x) the Operating Interest Coverage Ratio of USEC Inc. is less than 2.5x in a twelve consecutive month period. (y) a decrease in annual worldwide demand for Separative Work Units (“SWU”) to less than 28 million SWU, or (z) a decrease in the average price for all SWU under USEC’s long-term firm contracts to less than \$80 per SWU (in 1998 dollars). For purposes of this paragraph, (i) “Operating Margin” shall mean (x) earning plus interest, taxes and any extraordinary, non-recurring charge divided by (y) total revenue, (ii) Operating Interest “Coverage Ratio” shall mean (x) earnings plus interest and taxes divided by (y) gross interest expense. Nothing contained in this Agreement shall be construed to modify any obligation that USEC or the USEC Companies may have with respect to the Plants under the Lease Agreement between USEC and the Department of Energy dated as of July 1, 1993, as amended, or under any state or federal law, rule, regulation, order or permit applicable thereto.

(d) USEC’s Strategic Plan dated September 1997 and adopted by the Board in January 1998 (the “Strategic Plan”) contemplates certain reductions in the workforce at Plants through USEC Inc.’s fiscal year 2000. To the extent commercially practicable, the USEC Companies shall (i) take steps reasonably calculated in good faith to ensure that workforce reductions at the Plants through USEC Inc.’s fiscal year 2000 are conducted in a manner consistent with the Strategic Plan, do not exceed 500 employees, and are effected in substantially equal parts in each of USEC Inc.’s fiscal years 1999 and 2000, (ii) in each of USEC Inc.’s fiscal years 1999 and 2000, seek to achieve such workforce reductions through a program of voluntary separation before instituting a program of involuntary separation, (iii) with respect to such workforce reductions, provide benefits and take other measures to minimize workforce disruptions that are no less favorable to the workforce than would have been the case prior to the privatization of USEC and that are in accordance with the agreement between USEC and the Department of Energy concerning worker assistance to be entered into prior to the Closing. The foregoing provisions (w) shall not be construed to limit employee terminations for cause or workforce reductions through normal employee attrition, (x)

shall be subject to any applicable collective bargaining agreements involving the Plants' workforce, (y) shall not be construed to create any third-party beneficiary rights, (z) shall terminate on the second anniversary of the date of this Agreement.

APPENDIX B

Reimbursement Agreement Letter

This should be available within the near future.

APPENDIX C

Preference-in-Hiring Procedures

BACKGROUND:

Section 3161 of the National Defense Authorization Act of FY 1993 provides that, to the extent practicable, terminated employees at a defense nuclear facility should receive preference in filling vacancies in the work force of the Department of Energy and its contractors and subcontractors. The Department has determined that employees must be identified as having helped maintain the Nation's nuclear deterrent during the Cold War in order to qualify for this preference. The preference should be honored by all prime contractors and subcontractors (whose contracts equal or exceed \$500,000 in value). Herein, the phrase "DOE contractors" will be used to describe the prime contractors and subcontractors which must honor the preference.

The Department has established the following criteria for determining eligibility for the hiring preference: the individual must be a former employee (1) who was involuntarily terminated (except if terminated for cause); (2) who meets the eligibility standards; and (3) who is qualified or can become qualified for the vacant job at the time the work is to begin. Where qualifications are approximately equal, eligible individuals will be given the preference in hiring. However, the preference will be administered consistent with applicable law, regulation, or executive order and collective bargaining agreements.

This preference is not immediately applicable in situations where positions become available through an outsourcing action or follow-on contract in which the current employees should first be offered their same or similar jobs with the replacement contractor in order to avoid a layoff. In addition, this process is not applicable when a contractor fills vacant positions through internal means, such as promotion or reassignment; it applies only to filling jobs through external new hires.

Eligibility

The following criteria for determining eligibility for the hiring preference are contained in the currently issued Department of Energy (DOE) Work Force Restructuring Planning Guidance.

All regular employees who were employed by a Department of Energy contractor on September 27, 1991 and worked regular full-time or part-time hours through the date of the reduction-in-force notification are eligible for this preference; OR

, For intermittent workers or construction workers who have been affected by a work force restructuring action, the employee must have worked at a defense nuclear facility, as defined by the Office of Worker and Community Transition (WT-1), on or before September 27, 1991 and worked at a facility 180 days prior to the work force restructuring notification. These employees must have worked a total time, including time worked prior to September 27, 1991, equivalent to an employee having worked full-time (2080 hours) from September 27, 1991 to the date of the reduction-in-force notification **or** have actually worked the construction industry standard of full-time (1600 hours) from September 27, 1991 through the date of the reduction-in-force announcement. Employees **must have been affected by the announced restructuring within a reasonable period of time (i.e., one year)**.

For intermittent workers, this includes the interruption of a project before its anticipated completion or the completion of the assignment project without prospect for a follow-on assignment at the site where the employee had a reasonable expectation of a follow-on assignment.

General Requirements and Responsibilities:

, This preference does **not** supersede other preferences required by applicable law, regulation, executive order and collective bargaining agreements.

, Each contractor organization (with input from labor unions when necessary to assist in verifying periods of employment) will be responsible for certifying eligibility for their displaced employees. Employees **must** recertify annually in order to retain their hiring preference.

, Employees shall be responsible for their own annual recertification for the preference.

, **The following actions will permanently terminate an employee's hiring preference:**

- < **termination for cause from a DOE funded position**
- < **failure to recertify annually**

< **voluntary separations for any reason (e.g., voluntarily quit, VRIFs and retirement).**

- , If a person who has exercised the preference to obtain employment with a DOE contractor is subsequently involuntarily laid off in a future reduction-in-force, the individual will once again be eligible to receive the preference for DOE funded work.. The annual recertification requirement is not applicable while an individual is employed in a job with a DOE funded contractor which was obtained utilizing the preference.
- , **If a displaced employee goes to work for another DOE funded contractor through the exercise of the preference (i.e., pursuant to a recall) and voluntarily quits in order to obtain employment with another DOE contractor, the employee will permanently lose the preference.**
- , The hiring preference can only be exercised on DOE funded work with DOE prime contractors and designated subcontractors (i.e., over \$500K).