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SECRET

ATOMIC ENERGY COMMISSION

REPOSITORY NARA/College Park
COLLECTION AEC Minutes (NN3-326-92-006)
BOX No. 9 (Vols 17-18)
FOLDER AEC Mtgs 1160-1186, pp. 1-210

MEETING NO. 1176

2:15 p.m., Thursday, February 16, 1956

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| Present | Also Present |
|---|---|
| Lewis L. Strauss | David F. Shaw |
| Thomas E. Murray | Don S. Burrows |
| W. F. Libby | Francis J. McCarthy |
| Harold S. Vance | G. Norman Rogers |
| | W. Kenneth Davis |
| K. E. Fields | T. H. Johnson |
| R. W. Cook | E. J. Bloch |
| William Mitchell | Brig. Gen. Alfred D. Starbird |
| | Lawrence P. Gise |
| W. B. McCool | Manuel Dupkin II |
| William L. Oakley | George Manov |
| | Paul C. Fine |
| | Richard J. Hallinan |
| | Ruth Thomas |

1. Executive Order on Community Disposal

Mr. Strauss reported that an Executive Order had been issued transferring certain functions under the Atomic Energy Community Disposal Act to the Federal Housing Administration.

2. Meeting with the Secretary of Defense and Chairman, Joint Chiefs of Staff

Mr. Strauss said that on February 15, he had met with the Secretary of Defense and the Chairman of the Joint Chiefs of Staff to discuss the



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observer program for Operation REDWING, the allocation of materials for foreign power reactors and the request for a meeting between the Joint Chiefs of Staff and the Commission.

With regard to the observer program for Operation REDWING Mr. Strauss said that JCS would like to sponsor a number of U.K. and Canadian military observers. Mr. Strauss said he had informed Admiral Radford that if foreign military observers were present at Operation REDWING, he believed it would also be necessary to invite representatives of the press. He added that it had been agreed that AEC and DOD would consider, as soon as possible, the question of observer programs.

Mr. Strauss said he had read to Mr. Wilson and Admiral Radford the draft letter to the President requesting that he allocate 20,000 kilograms of U-235 for foreign power reactors, and also a letter which would later be sent to the Secretary of Defense on the same subject. He added that after some discussion, Mr. Wilson and Admiral Radford had concurred in the request for this allocation.

Mr. Strauss also said that in accordance with a request by Mr. Murray, he had asked Admiral Radford if the Joint Chiefs of Staff would meet with the Commission. He said that Admiral Radford did not believe such a meeting would be appropriate since the Joint Chiefs of Staff had been established to advise the President and Secretary of Defense and since such a meeting would bypass the MLC which is the statutory link between the Commission and the Defense Department.

3. <u>Department of State Suggestions on Use of Plutonium</u>

Mr. Strauss said the Department of State had requested AEC's comments on the following proposals which would be used as policy statements during negotiations on IAEA:

a. That the U.S. would not use, for weapon purposes, plutonium derived from the reprocessing of material provided by the U.S. to foreign power reactor projects.

b. That the U.S. would not use, for weapon purposes, plutonium derived from private U.S. power reactors, providing the U.S.S.R. would make a similar commitment.

After a brief discussion, the Commissioners requested that a study of these suggestions be prepared.

4. JCAE Hearing on Authorization Legislation

Mr. Fields briefly reported on the proposed manner of presentation of testimony at the JCAE hearings on AEC authorizing legislation to be held at 2:00 p.m. the following day.

5. Press Release on Midwest Accelerator

Mr. Fields informed the Commissioners that the press release on the midwest accelerator program would be issued the following day. He added that he had obtained further information on ANL interest in proceeding with the construction of a 10-12 Bev accelerator and that authorization for this accelerator would be requested.

6. Use of Scioto Laboratory

Mr. Fields said that since additional facilities would be needed for the production of external initiators, he believed it would be necessary to retake possession of Scioto Laboratory and to operate it for this purpose under a contract with the General Electric Company. The Commissioners had no objection to these proposals.

7. AEC 817/13 - Proposed Revisions to the Budget Estimate and Authorization Bill for FY 1957

Mr. Fields commented on the recommended amendments to the FY 1957 authorization bill and budget estimates. He pointed out that as a result of new military requirements received in December, the major amount of additional funds would be required to establish a fabrication

facility for the production of thin weapons shells. Mr. Murray said he recognized that new facilities would be required to meet requirements for thin weapons shells and inquired why the General Manager had not recommended the construction of a new facility and the selection of a new contractor for this work. Mr. Fields replied that Oak Ridge had already established a capability in fabrication of uranium and the facility would use materials produced at Oak Ridge. He also observed that construction of the plant at Oak Ridge would make it easier to integrate production and fabrication of these weapons components. Mr. Murray said it appeared to him that future requirements for this type of weapons components would increase so greatly that it would not be possible to perform the fabrication in modified facilities at Oak Ridge. Mr. Cook pointed out that this fabrication would be an integral part of the Oak Ridge operation and that any new facility would not be self-sufficient but would require material to be transported to the facility and then returned to Oak Ridge for final processing. Mr. Murray said that he objected to beginning a large weapons facility at Oak Ridge and he believed AEC should anticipate the greatly increased demand for these components and plan to integrate a new facility and a new contractor into its production operations for this purpose. Mr. Cook observed that it would require considerably longer to acquire a new facility and select a new contractor and that construction at Oak Ridge would be the only way to meet military requirements.

In answer to a question by Mr. Libby, Mr. Cook said that approximately $50 to $60 million had been invested in weapons facilities at Oak Ridge. In answer to a question by Mr. Strauss, he said that acquisition of another facility and selection of another contractor would require about an additional 12 months. Mr. Murray suggested the possibility of selecting a new contractor and establishing a new site for a part of this program. Mr. Cook pointed out that such a procedure would not meet existing military requirements.

Mr. Murray inquired why these facilities should not be constructed at Rocky Flats since it was to have been the main weapons fabrication plant. General Starbird replied that use of Rocky Flats would concentrate this fabrication at one site and under the contractor. Mr. Murray pointed out that construction of this facility at Oak Ridge would make it even more attractive than it was now.

(In approving these minutes, the Commission requested that the transcript of this part of the meeting be used in lieu of this part of the minutes as originally written.)

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"COMMISSIONER MURRAY: I am constantly trying around here to get more and different people in the program. Every time you come up it is always too late or a time scheduled or something else can't be done. For six years this is the same sort of thing.

CHAIRMAN STRAUSS: Tom, no. Your argument was for putting the naval construction at Westinghouse, and there you used the other argument, I thought very forcibly and we agreed with it. This is the same argument here that you used there for putting those naval vessels at Westinghouse.

COMMISSIONER MURRAY: It was the only place you could get your naval vessels. Only place, only place. I keep repeating that.

CHAIRMAN STRAUSS: That did not appear from the staff's recommendation.

COMMISSIONER MURRAY: It is my judgment anyway for whatever it is worth.

CHAIRMAN STRAUSS: It is a matter of judgment, but not a matter of fact.

COMMISSIONER MURRAY: Sure it is."

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The Commissioners then discussed the additional cost which would be incurred by the construction of a new facility, and the material which would be available to supply it in the event of destruction of Oak Ridge.

The Commissioners also considered the possibility of obtaining the necessary funds for the programs recommended in AEC 817/13 from

other appropriations available to AEC. Mr. Burrows said he did not believe the AEC budget for FY 1957 provided sufficient flexibility to fund these programs without deferring other projects.

Mr. Fields said that requests for funds for the nuclear rocket propulsion program now totaled approximately $ 50 million. However, he said he had decided not to request additional funds for this program until the AEC-DOD evaluation of it had been completed. Mr. Libby pointed out that the additional funds requested in AEC 817/13 for the rocket program might also be deferred until this evaluation was complete. He observed that an entirely new laboratory might be necessary for this program. Mr. Davis said that deferral of the present request would delay the program approximately for one year.

Mr. Fields called the Commissioners' attention to the $ 9.3 million requested for the power reactor program. He said all of these funds might be required for the second round of the power demonstration reactor program and asked whether the Commissioners believed additional funds should be requested for other power reactor projects which might be submitted in FY 1957. Mr. Murray said he believed as much as $ 100 million should be requested and asked whether provision had been made for third and fourth rounds of the PDRP. Mr. Cook said that no provisions had been made. Mr. Burrows added that no funds had previously been requested in the Plant and Equipment budget. Mr. Davis said he believed the present request would provide for the second round of the PDRP and would provide some flexibility for other projects, but would not provide for a third round of the program.

Mr. Vance pointed out that the General Manager was recommending a twenty-two percent increase in the amounts previously requested for the FY 1957 budget. He said it did not seem to him that the staff paper under consideration properly justified the need for an increase of this nature. Mr. Cook observed that the twenty-two percent increase covered new requests for authorization and that new requests for funds were not this large. Mr. Vance said that it had previously been stated that the 1957 budget did not provide flexibility, but after a Bureau of the Budget reduction of $ 50 million, funds had been re-allocated to cover this reduction. Mr. Fields pointed out that it might already be possible that AEC would need to request supplemental appropriations for FY 1957

because of a lack of flexibility in its budget. However, he said that with approval of the requests under consideration, he hoped that requests for supplemental appropriations could be avoided unless it was decided that the nuclear rocket propulsion program was urgent. Mr. Vance said that it seemed very important to him to assist the Administration's efforts to balance the budget, especially since this is the first year that it appeared possible. He said he believed a balanced budget is so important to the economy of the country that it would be desirable to consider additional fund requests very carefully even though the delay might mean that the Commission might risk the need to request supplemental appropriations later. Mr. Murray said he believed the AEC program, and particularly the request for funds for the thin weapons shell fabrication facility, is so important that the Commission should not risk being unable to meet its responsibilities. On the contrary, he said, he believed that after Operation REDWING, DOD requirements for weapons using these components would be so great that if provision were not made at this time it might well delay meeting these requirements by as much as two years. Mr. Murray added that he believed a limit had been reached in high yield weapons and that aggressive steps should now be taken to redirect the weapons program to production of small weapons.

After further discussion, the Commissioners agreed that further consideration of this matter would be deferred until February 21.

At this point Mr. Libby left the meeting.

Mr. Murray referred to discussions of the possibility of the Department of Navy purchasing zirconium for Naval reactors rather than obtaining this material from AEC. He said he believed that it would be hazardous at this point in the development of sources of zirconium to permit the Department of Navy to enter into a separate purchase program for this material. Mr. Burrows said that purchase of zirconium for the Navy was becoming an increasing drain on the AEC budget since AEC was required to fund for the purchase of zirconium but was not repaid until reactor cores had been fabricated. He said it had been suggested that the Department of Navy fund for this

material and that AEC continue to purchase it. The Commissioners then discussed the desirability of continuing to purchase zirconium needed for the Naval Reactor program. Mr. Murray proposed that the Commission establish a policy that AEC would continue to purchase zirconium for the Naval Reactor program. Mr. Vance suggested that as an alternative, the Office of Defense Mobilization might be requested to purchase zirconium for both the Department of Navy and the AEC.

After further discussion, the Commission:

Requested that a study be made of means of funding for the procurement of zirconium, including the possibility of procurement by the ODM.

Mr. Murray referred to the recent Commission approval of three naval reactor projects and said he understood that an additional $2.6 million was necessary in order to begin development of these reactors. Mr. Cook said that funds had not been available in the FY 1956 budget to begin all of these projects, since requirements for them had been submitted after approval of the FY 1956 budget. He added that during the mid-year financial review not enough funds had been available for allocation to begin these projects. However, he pointed out that the necessary funds had been requested in the FY 1957 budget. Mr. Murray requested that a study of this matter be prepared including a statement as to whether the denial of these funds would or would not delay these projects. (See AEC 47/13, subsequently circulated.)

8. Additional Power Agreement with OVEC (See Minutes of Meeting 1175.)

With regard to previous Commission consideration of an additional agreement with OVEC for the purchase of an additional 150 megawatts of power, Mr. Murray said he believed the additional agreement should have at least a five to ten year term instead of the proposed three year term. He pointed out that under the original long-term contract with OVEC the Commission was, in effect, paying for the plant and said he therefore believed the Commission was entitled to as long a term as it

wished. He suggested that the Chairman ask representatives of OVEC to meet with the Commissioners to discuss this matter. Mr. Cook then reported on negotiations with OVEC to obtain the additional power agreement. He said he believed that the company had been quite fair in agreeing to the requests which AEC had made during these negotiations, especially since the original contract did not provide that AEC had any right to the additional power. Mr. Bloch said that AEC had begun negotiations for the additional agreement on the assumption that a longer term than five years would be undesirable because of the uncertainty of the cost of this power and the uncertainty of the plant actually producing the additional power. He added that it was also uncertain whether it would be desirable to continue to use the additional power at Portsmouth for five years. He pointed out that this might require that AEC purchase supplemental power through OVEC from other sources. This would require that AEC pay a premium price for this power. Mr. Cook pointed out that OVEC would ask for provisions for price adjustment if a longer term were requested.

The Commissioners then discussed with Mr. Cook and Mr. Bloch the desirability of requesting OVEC to consider a five year term for the agreement. Mr. Cook said he believed such a request would be a breach of good faith. However, in response to a question by Mr. Vance, he said he would be happy to ask Mr. Sporn for his views on the matter. Mr. Murray said he wished to have Mr. Sporn answer the following questions for the record:

a. Whether OVEC would agree to a five year agreement on the same terms as a three year agreement?

b. If not, what the additional cost of a five year agreement would be?

In response to a question by Mr. Strauss, Mr. Murray said he would not be willing to authorize execution of the agreement with the understanding that the answers to these questions would be furnished later.

After further discussion, the Commission, with Commissioners Strauss and Vance voting in the affirmative and Mr. Murray voting in the negative:

a. Noted that the General Manager will approve execution of the proposed Additional Power Agreement with OVEC (Appendix "C" to AEC 508/15), including therein the renegotiation clause contained in a memorandum dated February 9, 1956, from the Director of Production to the General Manager;

b. Noted that the Joint Committee on Atomic Energy will be advised of this action by letter such as Appendix "B" to AEC 508/15, as revised, and as noted in that letter, the contract will be filed with JCAE after execution thereof.

c. Noted that henceforth AEC 508/15 will be unclassified.

Mr. Strauss observed that Mr. Libby had said, before leaving the meeting, that he was in favor of this action.

W. B. McCool

Secretary

Approved by the Commission: Meeting 1207, on June 12, 1956