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SDT/CSD 7/14/98

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ATOMIC ENERGY COMMISSION

REPOSITORY NARA/College Park
COLLECTION AEC Minutes (NND 98-326-92-006)
BOX No. 9 (Vols 17-18)
FOLDER AEC NTBS 1160-1186
(pp: 1-210)

MEETING NO. 1175

10:45 a.m., Friday, February 10, 1956

Present

Lewis L. Strauss
Thomas E. Murray
Harold S. Vance

K. E. Fields
R. W. Cook
William Mitchell

W. B. McCool
James E. Ammons

Also Present

E. J. Bloch
Manuel Dupkin II
Paul C. Fine
Richard J. Hallinan

1. AEC 508/20 - Proposed Additional Power Agreement with OVEC

Mr. Fields pointed out that an additional power agreement with OVEC had been discussed and approved at Meeting 1163, but that the Commissioners had requested that the contract be resubmitted for review after receipt of the Comptroller General's opinion and the submission of an opinion by the AEC General Counsel.

Mr. Murray said that the GAO opinion in a letter dated February 1, 1956, appeared to approve of the proposed agreement but added that he questioned whether the additional 150,000 kilowatts of power would be firm. Mr. Bloch explained that the AEC would have unlimited right to the power produced by OVEC, that there was little doubt that the 150,000 kilowatts would be produced, and that AEC had not requested any additional power besides the 150,000 kilowatts specified in the agreement. Mr. Bloch

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said that once it was established that OVEC had the additional capacity, there was unlimited responsibility on their part to continue supplying this power. He pointed out that under the agreement, there was a firm commitment on the part of OVEC to supply the specified amount of power even if they had to supply the power from the member companies' systems.

Mr. Murray observed that the proposed agreement had a term of three years, and that twenty-seven months were required for notice of cancellation or annual extensions. He asked why the five year contract which had been previously discussed had not been accepted. Mr. Bloch discussed this point with the Commissioners and said that after consideration of the problem, it was decided that a contract involving a fixed demand charge based on the estimated operating costs of the plant would be most desirable. He added that, under this condition, a three year contract would be to the mutual advantage of the AEC and OVEC as neither party would then be committed to costs which would be based on estimates. Further, he explained that the twenty-seven month notice period was necessary in order that OVEC would have two years to absorb the 150,000 kilowatts into their system and that the additional three months would be allowed for renegotiation of an adjustment in price.

Mr. Murray questioned the use of the term "Mutually satisfactory" as related to the renegotiation of the price for this power and suggested consideration of a fixed price with escalation. Mr. Bloch discussed this point and Mr. Murray requested that this clause in the agreement be clarified with OVEC through an exchange of letters.

In response to a question by Mr. Murray, Mr. Bloch said that the AEC had the right to transfer power blocks of not less than 5,000 kilowatts to other government plants if that power was not required at Portsmouth.

Mr. Murray then commented on the proposed letter to the JCAE, and suggested certain revisions in wording relating to cancellation charges. Mr. Strauss suggested, and the other Commissioners agreed, that a briefer letter should be sent to the JCAE omitting any reference

c. Noted that henceforth AEC 508/20 will be

Mr. Strauss reported on his attendance at a meeting of the National Security Council on February 9, 1956, at which time the Commission's "Report on the Background and Status of the Small Output Power Reactor" had been considered. (See AEC 655/42.) He said that the report had been approved by the NSC and would probably be approved by the President within a few days. Mr. Strauss observed that references to the 10,000 kilowatts figure would be eliminated in the basic memorandum, NSC 5507, and that the NSC recommendations would be revised to eliminate any implication that the small output power reactor project would be supported entirely with government funds. Mr. Strauss added that he would report to the Commission upon receipt of formal approval by the President of the NSC recommendations.

In response to a question by Mr. Murray, Mr. Strauss said Mr. Stassen's disarmament proposals had not been discussed at the

the Atomic Energy Act in order to legalize the attendance of the foreign observers at TEAPOT. In addition, the Commissioners requested that the forthcoming paper on the observer program at REDWING include a statement whether the presence of foreign military observers would involve communication of Restricted Data.

Page(s) 134 remain(s) classified.

The withheld page(s) will be coordinated with the
Department of Energy under NND 982027.

After 1961 more than AEC had planned and the question of adequacy of facilities might need to be considered after receipt of specific information on DOD maximum requirements.

W. B. McCool

Secretary

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