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UNITED STATES
ATOMIC ENERGY COMMISSION
WASHINGTON 25, D. C.

May 23, 1956

MEMORANDUM FOR THE COMMISSIONERS AND GENERAL MANAGER

Subject: NOTES ON INFORMAL MEETING - 10:00 A.M., THURSDAY, MAY 3, 1956

At 10:00 a.m., on Thursday, May 3, 1956, an informal meeting was held in Room 213. Those present were:

W. F. Libby
Thomas E. Murray

R. W. Cook
William Mitchell

Harold D. Anamosa
Richard V. Willit

A. Tammazo
David F. Shaw
Col. Carey L. O'Bryan, Jr.
Robert E. Hollingsworth
George F. Quinn
Walker E. Campbell
Delmar M. Morris
Joseph F. Hennessey
Curtis A. Nelson
Morse Salisbury
Frank K. Pittman
Hal L. Hollister
Robert Lowenstein
Charles G. Manly
Harold A. Knapp
Allen V. Butterworth
Comdr. John W. Crawford
Richard J. Hallinan
Manuel Dupkin II
George G. Manov
Charles A. Perry
William L. Oakley
Ruth Thomas

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DEPARTMENT OF ENERGY DECLASSIFICATION REVIEW	
1ST REVIEW-DATE: <u>06/21/96</u>	DETERMINATION (CIRCLE NUMBER(S))
AUTHORITY: <input type="checkbox"/> AOC <input type="checkbox"/> ADC <input checked="" type="checkbox"/> ADD	1. CLASSIFICATION RETAINED
NAME: <u>WCH/mg</u>	2. CLASSIFICATION CHANGED TO:
2ND REVIEW-DATE: <u>6-28-95</u>	3. CONTAINS UNCLASSIFIED INFO
AUTHORITY: ADD	4. COORDINATE WITH:
NAME: <u>[Signature]</u>	5. CLASSIFICATION CANCELLED
	6. CLASSIFIED INFO BRACKETED
	7. OTHER (SPECIFY):

(Since a quorum of the Commission was not present and no formal Commission business was done, minutes will not be prepared for this meeting. Page numbers after each item refer to the transcript of the meeting.)

~~RESTRICTED DATA~~

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The following subjects were discussed:

1. JCAE Insurance Hearings (pp. 2-3)

Mr. Mitchell said the JCAE had requested that the Commission testify on the question of hazard insurance for atomic energy facilities on May 14 rather than May 15. The Commissioners indicated that this schedule would be agreeable to them.

2. Operation REDWING Report (pp. 3-5)

Colonel O'Bryan briefly reported on the status of Operation REDWING. He said that Senator Pastore, the only member of JCAE attending the CHEROKEE Shot, had departed earlier in the day for the proving grounds. He also reported that the weather looked favorable, and that the test facilities and experiments were ready for the LACROSSE Shot, and that the CHEROKEE Shot was scheduled for May 7.

Mr. Salisbury then reported on the arrangements for public media coverage of the LACROSSE and CHEROKEE Shots.

3. AEC 638/4 - Proposed Modification of Union Carbide and Carbon Corporation Contract (pp. 5-9)

Mr. Hollingsworth reviewed the proposed Union Carbide and Carbon contract modification which would incorporate into one modified contract all the contract revisions that have occurred since 1950. This modification would include all the standard contract language approved by the AEC since 1950, would remove provisions no longer needed since completion of the expansion programs, and would strengthen the AEC's position in claiming state tax exemptions for Carbide's contract activities. He added that no change in the fee or scope of the contract was proposed.

In answer to a question by Mr. Murray, Mr. Hollingsworth stated that all the proposed modifications were to the advantage of the government.

After further discussion, Commissioners Libby and Murray indicated that they approved the recommendation of AEC 639/4 and suggested that the General Manager proceed with this action. Mr. Libby said that Mr. Strauss had indicated that he approved the recommendation of AEC 639/4.

4. Research Reactor for MIT (See AEC 909) (pp. 10-19)

Mr. Cook referred to AEC 909, which stated that the General Manager would approve issuance of a construction permit for a research reactor at the Massachusetts Institute of Technology, and inquired whether the Commissioners had any objection to this action. Mr. Pittman then commented on the staff's review of the hazard problems arising from the project. In answer to a question by Mr. Libby, Mr. Pittman said that MIT would be obliged to meet the AEC requirements for financial responsibility for accidents if such a requirement were established. Mr. Pittman observed that the General Manager would determine that MIT was technically capable of and financially responsible for such an undertaking and would allocate special nuclear material to be used over a forty-year period. He added that if inspection of the construction indicated compliance with approved plans, and if the operation satisfied health and safety requirements, the construction permit would be converted to a license.

The effect of long term material allocations to licensees on the flexibility of the total U-235 stockpile was then discussed. With regard to this problem, Mr. Libby raised the question whether government ownership of reactors would not provide more flexibility than private ownership.

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Mr. Mitchell said he did not believe there would be any difference, since, as a practical matter, the same amount of material would be allocated and, in time of military need, it would not be any more feasible to shut down a government plant than a private plant. Mr. Murray said he agreed that there would be no difference. Mr. Libby asked for a technical analysis of the flexibility of the stockpile under these different methods.

After further discussion, the Commissioners indicated that they had no objection to issuance of a construction permit for the MIT reactor.

5. AEC 835/2 - Issuance of Construction Permits and Allocations of SNM to Consolidated Edison and to Commonwealth Edison (pp. 19-42)

Mr. Pittman reviewed the recommendations of AEC 835/2 which provided for approval of construction permits for power reactors to be built by Consolidated Edison and Commonwealth Edison, and for a forty-year allocation of special nuclear material for reactor fuel. The Commissioners observed the total amount of material would be allocated over a period of years rather than all at once, and suggested that appropriate language be used to indicate this.

The Commissioners then discussed the need to make a commitment, when the license was issued, to supply the total amount of material to be used in operation of the reactor during the period of the license. Mr. Libby observed that such commitments would also be necessary for foreign reactors. Mr. Cook pointed out that this problem was now under consideration by the staff and that recommendations would shortly be submitted to the Commission. Mr. Libby said he believed there was no other choice than to make a commitment to supply reactor fuel to foreign nations in the same manner as commitments are made to supply fuel for domestic reactors.

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Mr. Pittman pointed out that in order to arrive at a figure to apply against the domestic allocation of 20,000 kilograms of U-235, the calculations for the equivalent amount of weapons grade material to be supplied to these reactors were based on the same gaseous diffusion characteristics as were used for the 1955 price schedule. Mr. Libby observed that the 1955 price schedule was based on estimates of costs of steady state operations to be achieved after completion of the expansion program. Therefore, since actual costs might be less, he said that approval of AEC 835/2 should not be regarded as a precedent for the use of the 1955 price schedule in all subsequent calculations regarding the allocation of U-235 for power reactors.

Mr. Murray remarked that he hoped that in about five years the fuel demand of private industry could largely be met commercially.

Mr. Libby asked whether the 104 license would be converted to a 103 license if the reactor became practical. Mr. Mitchell said that the Commission would not need to revise a license which had been issued.

Mr. Murray said he believed that the Commission should establish a policy recognizing AEC's responsibility for the safe, efficient operation of all reactors, and that funds should be requested, in accordance with this policy, to conduct reactor experiments supplementing and paralleling those of private industry.

Mr. Libby said he agreed that AEC should undertake such programs and added that he believed it should extend to the foreign reactor projects which AEC is supporting. He observed that since AEC will supply fuel as well as technology for these reactors, AEC has a responsibility for their proper operation even if it had not participated in the project financially.

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After further discussion, Commissioners Libby and Murray indicated that they approved the recommendation of AEC 835/2 and suggested that the General Manager proceed with this action. Mr. Libby said that Mr. Strauss had indicated that he approved the recommendation of AEC 835/2.

6. AEC 785/12 - Indemnity of Privately Owned Atomic Energy Facilities
(pp. 42-55)

Mr. Mitchell said that the proposed legislation under consideration had been prepared on the assumption that the Commission believed that some protection from the financial risk of a reactor catastrophe was necessary, in addition to that available from private sources, in order to encourage companies to build and operate power reactors. He said the staff believed the most practical form for this protection to take was indemnity of losses particularly for third-party public liability, above the amount which was available from private sources. Mr. Murray said he believed legislation during this session of Congress was imperative.

Mr. Mitchell pointed out that the difficulty of developing an insurance program was due to the fact that the possibility of a catastrophe was so remote that the probability or extent of the risk could not be calculated. However, he said the Bureau of the Budget would probably suggest that provision be made for a re-insurance program. He then reviewed at length the staff's proposals and various alternatives which had been considered.

Mr. Murray said his major concern was whether the proposed bill eliminated all obstacles of this nature to the construction of power reactors by private companies. If it would do so, he said, he favored its approval.

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Mr. Mitchell said the proposed bill would make available unlimited indemnity for financial losses resulting from a reactor catastrophe.

Mr. Libby suggested that testimony be prepared, for use during the JCAE insurance hearings, summarizing the AEC's hazard experience in the operation of production reactors.

After further discussion, Commissioners Libby and Murray indicated that they approved the recommendation of AEC 785/12 and suggested that the General Manager proceed with this action. Mr. Libby said that Mr. Strauss had indicated that he approved the recommendation of AEC 785/12.

7. Cancellation of JCAE Hearing on Project SHERWOOD (p. 55)

Mr. Cook reported that the JCAE had cancelled hearings which had been scheduled for the following day on the classification of Project SHERWOOD.

W. B. McCool
Secretary

cc: General Counsel

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