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STATEMENT OF

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BEFORE THE

JOINT COMMITTEE ON ATOMIC ENERGY

ON

THE PROPOSED CONTRACT FOR THE CLINCH RIVER
BREEDER REACTOR PROJECT



Mr. Chairman and Members of the Committee:

We are pleased to respond to your request that we discuss certain aspects of the proposed modified contract the Energy Research and Development Administration is seeking to enter into with Project Management Corporation, Commonwealth Edison Company, and the Tennessee Valley Authority. As you know, the proposed modified contract would change the present arrangement for designing, constructing, and operating the Clinch River Breeder Reactor demonstration plant by having ERDA rather than Project Management Corporation exercise overall management responsibility.

In this brief statement I would like to focus my comments on three areas of the proposed modified contract which the

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Committee may wish to explore further with ERDA and the project participants. These three areas concern the extent to which the contract might be interpreted to impinge upon ERDA's role as project manager; the fact that termination might result from design changes required to meet licensing requirements; and, lastly, problems associated with the integrated management arrangement in relation to conflicts with Federal personnel laws. The proposed modified contract has been negotiated and is ready for signature by ERDA and the other contract participants.

ERDA'S ROLE AS PROJECT MANAGER AND THE ROLE OF PMC'S BOARD OF DIRECTORS

Under the existing contract providing for management of the project by Project Management Corporation provision is made for referring to the heads of ERDA, Commonwealth Edison and the Tennessee Valley Authority any matter relating to the project on which the PMC Board "has taken action." The proposed modified contract placing management responsibility for the project in ERDA speaks of the Board announcing its position rather than in terms of taking action but otherwise leaves almost intact the provisions relating to settlement of matters over which a difference of opinion exists between PMC and ERDA. The proposed modified contract makes clear that responsibility

for management of the project lies with ERDA. However, the retention of most of the earlier language gives rise to an implication that PMC still retains some role in this regard. In the final analysis, reviewing the proposed modification in its entirety, we have reached the conclusion that despite what we consider to be an unfortunate choice of language the most reasonable construction of all of its terms leaves ultimate management control within ERDA.

We bring the matter to your attention primarily because the issue has been a matter of some discussion in the past.

PROJECT TERMINATION MAY RESULT FROM DESIGN
CHANGES TO MEET LICENSING REQUIREMENTS

The proposed modified contract provides that the four contracting parties and the Breeder Reactor Corporation may terminate the project if ERDA fails to obtain any necessary governmental permit, license, authorization or approval for constructing or operating the plant within six months of the approved schedule for these actions, and any of these seriously delays or hinders the project. Although ERDA can initiate changes in the project schedule to allow for delays, if the project is delayed and the participating parties do not agree to a change in the schedule, the project may be terminated.

There are strong indications that the utility participants are opposed to including a "core catcher" in the Clinch River

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Breeder Reactor design. If the Nuclear Regulatory Commission rules that a core catcher must be added to the design it seems likely that the project will be delayed more than six months beyond ERDA's approved schedule. The participating parties would then be free to initiate termination proceedings.

We are concerned that although licenseability is a prime objective of the proposed modified contract a change in the reference design required for NRC licensing--while no longer a specific criterion for termination--may seriously delay the project, thus permitting its termination. In view of licenseability as a principal project objective we question whether the industrial participants should be allowed to terminate after a delay of only six months caused by required changes in design to meet license criteria.

The Committee may wish to explore the position of the industrial participants concerning termination of the project in the event the Nuclear Regulatory Commission requires inclusion of a core catcher in the design of the Clinch River Breeder Reactor.

PROJECT MANAGEMENT ARRANGEMENT

The proposed contract assigns ERDA the responsibility for managing and carrying out the Clinch River Breeder Reactor project "through an integrated project management organization."

Eight of the 19 top positions in the integrated project management organization will be occupied by employees of the private participants subject to ERDA's approval. Approximately 70 of an estimated 200 persons in the project organization are to be ERDA personnel, the remaining 130 to be PMC or utility employees.

In light of the obvious interrelationships between ERDA and non-Government personnel which will exist, we believe that close attention will be required as to the administrative arrangements, procedures, and policies governing all personnel engaged in the project. Basically, the proposed contract terms placing in ERDA the authority to approve and remove all private participant employees provides sufficient control in ERDA to take whatever steps are necessary to assure that proper relationships are maintained. Cause for concern does not lie in the provisions of the proposed modified contract but rather in the extent to which ERDA will appreciate the need for close control over the situation.

For example, private participant employees would not be subject, as are Federal employees, to the provisions of Title 18 of the United States Code relating to bribery, graft, and conflict of interest. It will therefore be necessary for ERDA to establish appropriate criteria governing the approval and retention on the project of private participant employees.

Also, in light of the mixture of Government and private employees to be working on the project it will be necessary for ERDA to establish precise administrative controls over the manner in which such employees relate to each other.

In concluding, I would like to make clear that the concerns expressed relate only to certain features of the proposed contract for the Clinch River Breeder Reactor project. The General Accounting Office position is that the United States should not abandon the research and development program for the liquid metal fast breeder reactor of which the Clinch River Breeder Reactor is an integral part.

Mr. Chairman, this concludes my prepared statement and I will be glad to respond to any questions you or the other Members of the Committee may have.