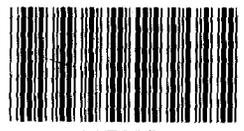


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STATEMENT OF
J. DEXTER PEACH, DIRECTOR
ENERGY AND MINERALS DIVISION
BEFORE THE
HOUSE COMMITTEE ON SCIENCE AND TECHNOLOGY
ON
TERMINATION COST OF THE CLINCH BREEDER REACTOR PLANT PROJECT

Mr. Chairman and Members of the Committee:

We appreciate the opportunity to be here today to discuss the Clinch River Breeder Plant Project; specifically, the potential costs of terminating the Project. Over the years, we have issued a number of reports on the Nation's fast breeder reactor program in general and Clinch River in particular. Our most recent reports discussing termination costs for Clinch River were issued about 2 years ago--in May and July 1979. Those two reports, as we were able to update them on Friday, May 8, form the principal basis of my statement today.

In a May 7, 1979, report we concluded that if the Congress chose to terminate Clinch River at the end of fiscal year 1979, the remaining Federal commitment would have been between \$152 and \$350 million. 1/ The lower figure represented the cost of meeting contractual obligations plus \$20 million for continuing selected design activities of value to the future fast breeder reactor program. The high figure, reflecting estimates by some industry groups, depended on the results of possible lawsuits against the Government for failing to complete the Project.

1/"The Clinch River Breeder Reactor--Should the Congress Continue to Fund It?" EMD-79-62, May 7, 1979.

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Subsequently, in our July 10, 1979, report to the Energy Research and Production Subcommittee of this Committee, we stated that if the Government had to refund industry's contributions to the Clinch River Project, the termination costs would be still higher than our earlier estimate. ^{1/} We noted that as of September 30, 1979, industry's contributions would total \$102 million, but pointed out that the Government's liability to refund these contributions is unclear. Industry's view has been that its contributions must be refunded if Clinch River is not completed. The Government position at that point was that it would not have to refund these monies. As we said in our July report, the issue of Government liability in case of Project-termination might have to be resolved in litigation.

Thus, we estimated that as of September 1979 the cost of terminating Clinch River could range from as low as \$152 million in contractual obligations and selected design work to as high as \$452 million, depending on the outcome of any termination-related litigation that might ensue.

On the afternoon of Thursday, May 7, we were asked to testify here today, and on Friday, May 8, we obtained DOE's most current estimate of the costs of terminating the Clinch River Project and attempted to reconcile this estimate with the estimates we reported in 1979. I mention the dates to emphasize that the short time period did not permit us to prepare our own independent estimate or even to evaluate DOE's estimate.

^{1/}"Comments on the Administration's White Paper: 'The Clinch River Breeder Reactor Project--An End to the Impasse'," EMD-79-89, July 10, 1979.

DOE now estimates that if the Project is terminated as of September 30, 1981, the cost may be between \$248.2 million and \$422.0 million, depending on how the termination is carried out. The variance is primarily due to the degree to which additional design work will be done on the Project. If there is no additional design work done and the termination activity is limited to the preparation of a final engineering report, the cost would be about \$248.2 million. If the final design work is completed, developmental tasks needed to support a final design are done, and a final report on engineering design and development is issued, the termination costs will be about \$422.0 million. The major portion of the difference in these estimates is that the preparation of a final engineering report would cost about \$23.1 million, while the completion of all design work is estimated to cost about \$187.4 million.

The other costs for terminating the Project are substantially the same for either method of termination. These are contractual obligations of about \$102.5 million; reimbursement of utility and industry contributions--if required--of about \$117.2 million; and a contingency cost of about \$5.4 to \$10.5 million to cover unanticipated cost increases in the various termination activities. However, if final design is completed there will be an additional cost of about \$4.4 million to resolve generic issues that are still open with the Nuclear Regulatory Commission.

Further, we would like to note that as with the earlier estimates we provided, there may be additional termination costs involved if the utilities and private industry bring suit against

the Government for damages they might have incurred in relying on the Government's promise to use its best efforts to carry out the Clinch River Project. Also, the estimate does not include an allowance for any reimbursement of interest on utility and industry contributions.

To put the potential termination costs in perspective, as of December 31, 1980, sunk costs in the Clinch River Project totaled about \$1 billion and the estimated additional cost of completing the Project is about \$2.2 billion, for a total cost of about \$3.2 billion.

Against this backdrop, Mr. Chairman, there are several points which our past work indicates the Committee might wish to consider regarding termination of the Clinch River Project. Specifically,

- What is to follow if Clinch River is terminated? Will the large plant visualized in the recently completed contractual design study be constructed? If not, what will substitute for Clinch River as the focus of the Nation's breeder reactor program, and what form will the program take?
- Will the domestic industrial infrastructure be available when needed to design, fabricate components, and build the large plant at some future time?
- Is it prudent to construct and operate on a utility grid a large breeder reactor without benefit of intermediate scale up?
- What effect will termination of the Clinch River Project have on utility confidence in the Federal Government's

commitment to fast breeder reactor development and on possible utility financial participation in any future project?

On a broader note, Mr. Chairman, these questions raise the larger issue of the role of nuclear power as a long-term energy option. As we stated in our September 1980, report on the overall fast breeder research and development program, if the Congress wished to maintain a nuclear option or if it wishes to commit to nuclear power as a long-term energy source, a breeder reactor--not necessarily Clinch River--should be constructed and operated to demonstrate the technology. 1/ If Congress is unable to agree on an approach for preserving the breeder option, or if it does not wish to do so, we believe it should consider terminating the breeder program. Once terminated, any future decision to restart the program could cost many years of development time and leave the U.S. with the possible alternative of purchasing breeder reactors from foreign sources if future energy developments indicate a need for the technology.

Mr. Chairman, this concludes my prepared statement. I would be pleased to respond to the Committee's questions.

1/"U.S. Fast Breeder Reactor Program Needs Direction," EMD-80-81, September 22, 1980.