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JOHN T. KAUFFMAN  
Vice President, System Power & Engineering  
821-5043

OFFICE OF THE SECRETARY

March 26, 1975

Mr. William A. Anders, Chairman  
U.S. Nuclear Regulatory Commission  
Washington, DC 20555

Dear Mr. Chairman:

It has been brought to my attention by Mr. Ralph Deuster, President of Nuclear Fuel Services, Inc. (NFS) that two major events have taken place recently which may seriously delay start-up of the NFS reprocessing plant and, in turn, have a serious detrimental effect on the supply of reload fuel for our Susquehanna Plant. These events are the letter of Mr. Edson Case of the NRC relating to the possibility that the NFS final environmental statement may not be issued until the GESMO action is completed and the letter by Mr. R. W. Peterson stating that the Council on Environmental Quality believes that the GESMO Draft Impact Statement does not meet the requirements of the National Environmental Policy Act.

We are not in a position to discuss the merits of these two actions, but we feel the issues should be attacked on an urgent basis and with consideration of the total impact on the U.S. Energy Supply. We have already seen NFS' projected operating date delayed by a year since we began negotiations with them last September (culminating in a contract signed in January). That delay, plus those which the above two letters might provoke, could prevent us from obtaining hoped for plutonium purchases in 1982 or recycle of our own plutonium in 1984.

We would then need additional  $U_3O_8$  and enrichment with both the prices and sources uncertain. A negative ruling on plutonium recycle would also considerably increase our needs for  $U_3O_8$  even though the need for additional enrichment would then be satisfied by the contingency plan in our enrichment contracts. These problems are recognized as common in the industry just as it is recognized that reasonable caution in the utilization of plutonium is necessary. We admit that readily acceptable solutions are hard to find and we assume you are already using all due effort to schedule the hearings and make the judgments necessary to get plutonium recycle approved and reprocessing plants licensed under proper conditions.

As one additional suggestion, we offer the concept of providing for plutonium safeguards by an adequate armed force both for transportation

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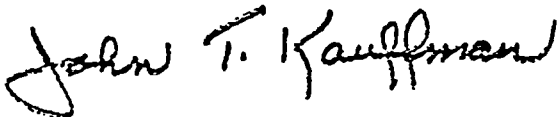
and for guarding the reprocessing plants and fabrication facilities. Right now, a large enough force could be dedicated so that it would be immediately clear to all that it would be adequate. As time went on, more detailed studies and hearings could perhaps justify a major reduction in the force. Meanwhile, the plants could be in operation and the resultant electrical energy available.

As another suggestion, we believe that reprocessing plants could be licensed without waiting for the GESMO decision. Although this would result in production of plutonium which could partially frustrate a negative decision on plutonium recycle, the plutonium would then be located only in a few, very easy to guard, plants. Also, a negative GESMO decision should be regarded as only a temporary situation because better safeguards technology or future acute need for plutonium could provide the impetus to reverse such a negative decision.

It is, of course, possible that without plutonium recycle some reprocessors would not want to go ahead with their plans. However, the way should be paved for reprocessing licenses on their own merits so that a significant amount of time could be saved if the reprocessor does decide to go ahead.

Thank you for your consideration in these matters.

Very truly yours,

A handwritten signature in dark ink, reading "John T. Kauffman". The signature is written in a cursive, slightly slanted style. The first name "John" is written with a large, looping 'J'. The last name "Kauffman" is written with a large, looping 'K' and a trailing flourish.

John T. Kauffman  
Vice President - System Power & Engineering