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NICHOLAS S. REYNOLDS
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Ms. Nina Bell
Northwest Environmental Advocates
133 South West Second Avenue, Suite 302
Portland, Oregon 97204

Re: Washington Public Power Supply System
(WPPSS Nuclear Project No. 1) Docket No. 50-460-OL

Dear Nina:

This will confirm our conversation earlier this week in which we agreed that the Washington Public Power Supply System need not respond formally to your "Motion to Keep Parties Fully Informed of All Options Regarding Plant Completion and Operation" (Motion), dated June 9, 1994. Rather, we agreed that the Supply System would attempt to assist you in obtaining information regarding various concepts under consideration by the federal government for the disposition of weapons-grade plutonium. Our understanding with you is that on the basis of this approach, we may consider your Motion to have been withdrawn. We ask that you contact NRC Judge Peter Bloch to confirm our understanding in this regard.

The information we agreed to provide is included in this letter. As we discussed, the scope of the plutonium disposition issue far transcends WNP-1 and the matters at issue in this NRC proceeding. The decision regarding the national policy for plutonium disposition will be made by the federal government, and more particularly, the U.S. Department of Energy, the Congress, and the Administration. It is by no means certain that WNP-1 will have any role in any policy finally adopted.

With that as a general background, the following will provide the most significant and current reference material of which we are aware regarding plutonium disposition. These materials are available either in the Federal Register (as indicated) or through the respective government departments. The documents are as follows:

1. U.S. Department of Energy Plutonium Disposition Study, Technical Review Committee Report, July 2, 1993 (two volumes).

[This is the Department of Energy technical study of reactor-use options for disposition of surplus weapons-grade plutonium.]

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2. "Management and Disposition of Excess Weapons Plutonium," National Academy of Sciences, 1994.

[In this study report, the National Academy recommends reactor-use and vitrification as two preferred options for plutonium disposition. The report mentions the "Isaiah Project" and recognizes the possibility of using WNP-1 and WNP-2 for plutonium disposition.]

3. Notice of Intent to Prepare a Programmatic Environmental Impact Statement for Storage and Disposition of Weapons-Usable Fissile Materials, U.S. Department of Energy, 59 Fed. Reg. 31, 985 (June 21, 1994).

With respect to the so-called "Isaiah Project," as you know, that effort is being undertaken by Columbia Nuclear Corporation (CNC), which is a consortium of several corporations. The Supply System is not affiliated with the effort. I suggest that you contact Mr. Franklin G. Dinces, CNC's counsel in Seattle, at 206-624-0900, who should be able to provide either the information you seek regarding the project or put you in touch with someone at CNC who can do so.

Your Motion also refers to the Supply System's "Dual Purpose Concept." This concept includes the contemplated completion of WNP-1 for plutonium disposition purposes. As we discussed, the Supply System's public position on this is set forth in a statement which the Supply System presented to the Senate Committee on Energy and Natural Resources on May 26, 1994. Enclosed herewith is a copy of that statement.

In closing, we want to reiterate that, despite the various plutonium disposition alternatives being considered by the Department of Energy, and the various future use alternatives for WNP-1 referenced in your Motion, construction of WNP-1 remains suspended. The facility is being maintained in accordance with the NRC's Policy Statement on Deferred Plants (52 Fed. Reg. 38,077 (1987)). The Policy Statement calls for submission of information to the NRC within 120 days of a licensee's decision to reactivate construction of a deferred plant. The Supply System would certainly abide by this Policy Statement and provide information to the Licensing Board and parties should any proposal involving reactivation be adopted. At that time, there would be ample opportunity for the intervenor in this NRC proceeding to pursue more detailed information on a specific proposal being pursued.

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Please also feel free to contact me in the future to discuss these issues. My telephone number is 202-371-5717. If you cannot reach me, please contact my partner David Repka at 202-371-5726. In particular, it would be more efficient for us to communicate directly with each other, rather than through formal legal processes, to address your desire to be kept apprised of these matters. I am confident that when you obtain the government documents described above, and establish contacts with the appropriate government representatives at the Department of Energy, you will be in a position to maintain your information and knowledge at a satisfactory level.

Sincerely,



Nicholas S. Reynolds
Counsel to the
Washington Public Power Supply System

Enclosure

cc: Service List

Statement of

the Washington Public Power Supply System

before the

Committee on Energy and Natural Resources

United States Senate

May 26, 1994

THE SUPPLY SYSTEM'S DUAL PURPOSE CONCEPT

The Washington Public Power Supply System (Supply System)^{1/} is currently exploring the potential of fueling two of its nuclear power plants with mixed oxide fuel (MOX fuel), comprising a mixture of uranium and surplus weapons-grade plutonium from U.S. stockpiles, in coordination with the U.S. Department of Energy (DOE). The fissioning of MOX fuel in the Supply System's reactors, located on the Hanford reservation, would simultaneously assist the federal government in disposing of weapons-grade plutonium and generate electricity for commercial consumption, thereby offsetting a portion of the cost to the federal government of disposing of plutonium from dismantled nuclear warheads.

This concept, known as the "Dual Purpose Concept" or DPC, would entail arrangements under which DOE would process plutonium into MOX fuel. The MOX fuel would be delivered to the Supply System's reactors, and the spent MOX fuel would be returned to DOE for disposal. The Department would support the conversion of the Supply System's currently operating WNP-Unit 2 plant and the completion of its 65% constructed WNP-Unit 1 plant, both of which have the capability to burn MOX fuel. The Supply System would operate the plants, and the generated power would be sold to the Bonneville Power Administration. DOE would pay plant operation and maintenance costs, and the revenues resulting from the sale of power would serve as a credit against the federal government's costs. The Supply System reactors would remain the property of the Supply System and the nuclear plants would continue to be licensed by the Nuclear Regulatory Commission.

The National Academy of Sciences' Committee on International Security and Arms Control released a report on January 24, 1994, entitled "Management and Disposition of Excess Weapons Plutonium," which called the existence of surplus plutonium "a clear and present danger to national and international security" based on the recognition that the mere existence of this material creates proliferation risks. The National Academy of Sciences' Report concluded that "options for the long-term disposition of weapons plutonium should seek to meet a 'spent fuel standard' -- that is, to make this plutonium roughly as inaccessible for weapons use as . . . spent fuel from commercial reactors." Dr. Wolfgang Panofsky, Chairman of the National Academy Report, has testified to Congress that it is extremely urgent, once the

^{1/} The Washington Public Power Supply System is a municipal corporation and joint operating agency of the State of Washington that is empowered to finance, acquire, construct and operate facilities for the generation and transmission of electric power. The Supply System currently operates an 1,120 megawatt nuclear power plant, WNP-Unit 2, located on the Hanford Reservation, as well as a 27.5 megawatt hydroelectric facility, the Packwood Lake Project. The Supply System also owns two partially completed nuclear power plants, including WNP-Unit 1, which is a 65% complete nuclear power plant located adjacent to the operating WNP-Unit 2 plant on the Hanford Reservation. All electricity produced by the Supply System projects is delivered to electrical distribution facilities owned and operated by the Bonneville Power Administration (BPA), which in turn distributes the electricity to utility systems throughout the Pacific Northwest.

plutonium has been safely removed from the warheads and securely stored, to choose a disposition option which meets the "spent fuel standard." The Department of Energy has stated that they will adopt this standard when evaluating plutonium disposition options.

Government-sponsored studies, including the National Academy of Sciences' Report, indicate that conversion of surplus plutonium to MOX fuel and use of the MOX fuel in existing commercial nuclear reactors may be the best near-term strategy for disposing of excess weapons plutonium and that the Supply System's plants are prime candidates for the task. In brief, the Supply System's Dual Purpose Concept:

- builds on current U.S. plutonium disposition initiatives;
- promotes nonproliferation through safe, cost-effective, timely and environmentally sound plutonium disposition;
- reduces the risk of proliferation by satisfying the spent fuel standard; and
- offers substantial benefits beyond plutonium disposition.

PROMOTING NONPROLIFERATION THROUGH SAFE, COST-EFFECTIVE, TIMELY, AND ENVIRONMENTALLY SOUND PLUTONIUM DISPOSITION

When compared to other plutonium disposition options now under consideration, the Supply System's Dual Purpose Concept offers several key advantages:

- **Maximized Safety** -- The Supply System's concept centralizes operations on a single federal reservation, thereby facilitating resolution of transportation, fuel-handling, and safeguards issues and maximizing operational efficiencies. In addition, this concept employs a proven technology (MOX fuel use) and an experienced operator of commercial nuclear power plants licensed by the Nuclear Regulatory Commission.
- **Cost effectiveness** -- The Supply System's concept employs existing federal infrastructure and offsets costs to the government by generating electricity for sale by BPA. Existing government facilities on the federal reservation may be instrumental in the conversion of warheads to reactor fuel, thus promoting security, as well as cost effectiveness.
- **Near-term plutonium disposition** -- Because it employs existing reactors, a proven technology, and an experienced plant operator, the Supply System's concept permits plutonium burning at the earliest possible date (subject to the availability of MOX fuel).

- **Environmental soundness** -- The Supply System's concept involves a proven method of plutonium conversion to a stable and familiar fuel form. In addition, this concept results in a conventional and highly proliferation-resistant waste, the management of which is part of existing U.S. programs.

The Dual Purpose Concept is not a proposal for plutonium recycling; it is not a model for, nor does it encourage, development of a commercial MOX fuel market; and it does not in any way promote nuclear weapons production. Rather, it envisions cooperation between the Supply System and the federal government for use of surplus plutonium in a limited number of commercial reactors located on federal reservations to reduce stockpiles of surplus weapons plutonium at the lowest cost to federal taxpayers.

REDUCING PROLIFERATION RISKS WITH THE SPENT FUEL STANDARD

Not only does the Supply System's Dual Purpose Concept promote nonproliferation through safe, cost-effective, timely and environmentally sound plutonium disposition, the DPC would also actually reduce risk of proliferation of weapons-grade plutonium by converting it into a conventional, proliferation-resistant waste form. Utilizing MOX fuel in the Supply System's WNP-1 and WNP-2 reactors would convert weapons-grade plutonium into a form which satisfies the "spent fuel standard" endorsed by the Department. In fact, when the MOX fuel is "burned" in the Supply System's reactors, the fuel would be converted to a waste form that is essentially the same as that produced in currently operating U.S. nuclear reactors. Plutonium in spent fuel is considered a low proliferation risk because sophisticated technology is required to handle and reprocess the highly radioactive fuel before it could be converted for weapons use. Unlike vitrification processes that are also being considered as a possible plutonium disposition option, the Supply System's Dual Purpose Concept would transform weapons-grade plutonium into a form of plutonium much less suitable for weapons use.

BENEFITS BEYOND PLUTONIUM DISPOSITION

Beyond the comparative advantages of the Supply System's approach to plutonium disposition, substantial additional benefits would result from use of the Supply System's plants to burn MOX fuel in an effort to dispose of excess weapons plutonium:

- **Economical power generation** -- the Supply System's concept provides for the generation of reliable, competitively-priced electricity, while adding needed generating capacity in the Pacific Northwest.
- **Jobs creation** -- the Supply System's concept would result in 4,000 new highly-skilled jobs for completion of WNP-1 and modification of WNP-2 and 1,000 new highly-skilled jobs for long-term operation of WNP-1.
- **Environmental preservation** -- the Supply System's concept would reduce current and future reliance on hydro power, thereby alleviating pressure on the

region's fish population, and add generating capacity without either the need for new facilities or increased greenhouse gases.

While the Supply System's Dual Purpose Concept is fundamentally one for beginning U.S. plutonium disposition, these supplementary benefits reinforce the overall soundness of the Supply System's approach.

IMPORTANCE OF A TIMELY DECISION

Given the lengthy process the Department of Energy has stated it will follow in evaluating and choosing the method for ultimate disposition of the surplus plutonium, the Supply System is concerned that the significant advantages of the Dual Purpose Concept could be lost. The Department has testified that it plans to evaluate the disposition options in a Programmatic Environmental Impact Statement (PEIS) and subsequent Record of Decision. The Department has stated that a Notice of Intent should be published in early to late June 1994 and that public scoping meetings and data collection will continue until the fall of 1994. The Department proposes to have a draft PEIS and further public hearings by mid-1995, with the Record of Decision completed by early 1996. However, the Supply System recently has voted to discontinue preservation funding for its two partially completed reactors early in 1995. Thus, the possibility exists that the Department will need to continue preservation funding for one or both of the Supply System's partially completed reactors in order to keep all practical plutonium disposition options viable. Keeping the Dual Purpose Concept as a feasible alternative also would allow for near-term disposition after the Record of Decision is made in early 1996.

If preservation funding is not continued past early 1995, the reactors in effect could not be licensed by the Nuclear Regulatory Commission. Thus, the Department would lose the opportunity to choose a plutonium disposition option that is licensed and regulated by an independent body that possesses technical experience and public confidence in regulating commercial light water nuclear reactors, some of which have burned MOX fuel on an experimental basis in the past. In addition to the advantages listed above, the United States would lose a disposition option which offers the significant advantage of signaling to the world that we are committed to disposing of surplus plutonium as expeditiously as possible.

CONCLUSION

There is broad consensus among experts, decision-makers and the general public that nations possessing nuclear weapons must begin the task of managing and disposing of weapons-grade plutonium from dismantled nuclear warheads. The Supply System's Dual Purpose Concept offers a means of addressing U.S. plutonium disposition needs in a safe, cost-effective, and timely manner -- one which builds on demonstrated technology, current plutonium disposition efforts, supports the Clinton Administration's nonproliferation policy, reduces the risk of proliferation and offers other substantial advantages.