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WITHDRAWAL SHEET

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DOC NO	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
1	MEMO	~~KHEDUORI TO MEESE RE CLINCH RIVER STRATEGY MEETING.~~	3	6/21/1983	open 10/19/09 KMW
		~~THE ABOVE DOCUMENT IS PENDING REVIEW IN ACCORDANCE WITH E.O. 13233~~			

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MEMORANDUM

THE WHITE HOUSE

WASHINGTON

20 June 1983

MEMO FOR EM III

FROM: MAM

RE: Clinch River Breeder Reactor Meeting

1. OMB Briefing Paper to be delivered a.m. 21 June 1983

2. Participants in meeting:
   - Secretary Don Hodel
   - Dave Stockman
   - Fred Khedori
   - Danny Boggs
   - Dave Swanson
   - Ken Duberstein
   - Randy Davis
   - Craig Fuller
   - Ken Cribb
   - Ed Meese

   (not in order)

3. Meeting to last for 30 minutes, your office.

4. Briefing paper from Ken Duberstein, in file.

5. " " " OMB "

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

June 21, 1983

MEMORANDUM FOR EDWIN MEESE III

FROM: FRED KHEDOURI FK

SUBJECT: Clinch River Strategy Meeting

Current Situation:

-- FY1983 appropriations bill funded CRBR but directed DOE to develop an industry cost-sharing plan to finance balance of project (about $2.4 billion estimated remaining construction).

-- After much labor, the DOE-industry panel devised a proposal with the following elements:

° $1.4 billion appropriated Federal share

° $800 million utility share funded through bonds; Federal guarantee of revenues to service bonds

° $150 million "equity" contribution from utilities that is derived from tax benefits associated with project.

-- House appropriations bill for FY1984 contains no funding for Clinch River as passed.

-- Senate version contains no funding as reported from Subcommittee.

-- Prospects for a successful McClure effort on the Senate floor to enact the DOE-industry plan have been assessed as weak but not unattainable.

-- Prospects for House adoption if the provision is a part of the regular appropriation bill are very poor, in part because of procedural situation.

-- Under House rules, the first vote would occur on a motion to instruct the House conferees to reject the Senate language.

-- This motion would include not just Clinch River, but two water projects (Garrison and Stonewall Jackson dam) that were deleted from the bill on the House floor earlier this month by almost 2-1 votes.

-- A vote on a package of this kind would be almost impossible to win.

Strategy Alternatives:

-- The Administration has at least four major alternatives available:

Option 1: All-out White House effort in support of McClure effort to enact DOE-industry funding plan.

- Would satisfy McClure request and fulfill public commitments to support CRBR.

- Runs significant risk of defeat and possible eventual loss of "base" breeder research program along with Clinch River.

- Requires Administration to support DOE-industry plan, which is itself undesireable from a policy standpoint because of Federal guarantees and apparent lack of willingness by utilities to share risks.

- Only option that has any real chance of ensuring that Clinch River is funded this year.

Option 2: Limited effort by DOE to support McClure

- Would permit McClure to blame Administration for defeat on Clinch River

- Would be perceived by nuclear industry as lack of genuine commitment.

- Avoids necessity for major investment of President's and senior staff time.

- Avoids eventual "bidding war" to enlist votes that might jeapordize high priority objectives in other areas.

Option 3: Announce end of Administration support for Clinch River because of apparent unwillingness of utility industry to support project and evident lack of long-term congressional support.

- Eliminates major source of criticism of Administration for energy policy inconsistency.

- Saves at least $1.4 billion, possible substantially more if Federal guarantees on utility bonds are called.

- Provides best chance of preserving stable on-going breeder research effort to meet long-term needs.

Option 4: Retain current position of support for full appropriated funding as proposed in President's budget.

- No chance of favorable congressional action; will result in termination of Clinch River.

- Will not meet McClure request.

- Would require explicit rejection of DOE-industry cost-sharing plan and thereby be characterized as back door effort to kill Clinch River.

KEY VOTES NEEDED FOR CRBR

-- If chosen strategy is for a major White House push in support of Clinch River, we will face the following series of key votes.

-- Each vote will require a large-scale lobbying effort, including calls and meetings involving the President and senior staff.

Using Regular FY1984 Energy and Water Appropriations as Vehicle:

1) Vote on McClure amendment to add CRBR: Full Senate floor vote.

2) Vote on Conte/ Coughlin motion to instruct House conferees to reject Senate funding for CRBR, Garrison, and Stonewall Jackson: Full House floor vote.

3) Vote in House/Senate appropriations conference committee: majority of each house must vote to accept Senate language in conference agreement.

4) Vote in House on provisions reported in technical disagreement (rules provide for separate vote on parts of conference report): Full House floor vote.

5) Vote on final passage of conference report: Full House and Full Senate.

Summary: 2 votes on Senate floor
3 votes on House floor
1 vote by conferees representing each body in House/ Senate conference

Using FY1984 Continuing Resolution:

1) Vote in House appropriations subcommittee to insert provisions.

2) Vote in full House Committee on amendment to delete.

3) Vote in full House on amendment to delete.

4) Vote in Senate subcommittee to delete (or add, if deleted in House)

5) Vote in full Senate committee to delete.

6) Vote in full Senate to delete.

7) Vote in full House on motion to instruct House conferees.

8) Vote by each body in conference committee to accept.

9) Vote in House on language in technical disagreement (if added in Senate after loss in House).

10) Vote on final passage: floor of House and Senate.

Summary: 2 votes on Senate floor
3 votes on House floor
6 votes in House and Senate Appropriations Committees

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

June 17, 1983

TO: Kenneth M. Duberstein

THRU: Pamela J. Turner

FROM: Dave Swanson DS

SUBJECT: Clinch River Breeder Reactor

As you requested, I have attached the basic structure of the Clinch River Breeder Reactor financing plan including some brief comments on the political liabilities of the plan. I have also attached a vote summary from the two most recent votes on CRBR in the Senate. Below are a few comments on these two pieces of paper.

Financing Plan

The private contribution to the completion of CRBR is $1 billion. That leaves the government with $1.4 billion in appropriations to come up with. That's a considerable amount of money and I must say that some of the marginal votes probably have hoped (or expected) that the government contribution would be lower.

What's also true is that this financing plan does have some political vulnerabilities. First, the equity contribution has been set at a level that the private parties could argue is equal to the tax credits that they will realize from the project. While they do provide the money upfront, critics can argue that the Treasury is really buying their equity position for them. Second, the debt portion (30 year bonds secured by revenues expected from the sale of electricity) is backed up by a DOE assurance that the revenues will be there. If the plant is a dead horse and never operates, Treasury is obligated to pay the debt. If insufficient power is produced, DOE has to make up the difference. Thus critics will claim that there is really no private risk in the project and the Government is better off proceeding on its own.

If the project goes according to plan, and I don't see any reason why it won't, the government will avoid $1 billion in appropriations. While that's not a completely defensible position, based on the above counter arguments, it does satisfy some who have asked that the private parties pick up more of the costs.

Vote Situation

Up to this point, the DOE people have not done a vote count in the Senate. I have gone back and put together some speculations based on the two most recent votes.

I have on this sheet tabulated in the left column those who have voted with us on the last two times the issue has been taken to a vote, Sept 29, 1982 and Dec. 16, 1982. The asterisks indicate those who are up for reelection and who I think might be vulnerable.

I have also listed Ford, Inouye and Packwood who we lost on the last vote and Jepsen, Rudman and Hawkins who we picked up on the last vote (they were against us the previous time).

Below that are 5 Senators who left the Senate, four who voted with us and one against. Of the 5 replacements, Hecht will be OK and the other four are either likely or possible votes with us.

Every vote lately on Clinch River has been tough. Sen. Baker has always been able to pull that last vote out and so long as he is convinced that this financing package is defensible from his point of view, he probably can pull it out again.

But I continue to believe that it will not be easy in the Senate. And it could very well be that some high level WH involvement will be necessary if some of our vulnerable people start drifting away.

Financing Plan--Clinch River Breeder Reactor

I. Aggregate Amounts-Proposed Plan

	$Million
-Funds needed to complete the project	2,400
-Federal Appropriations for capital expenditure	1,400
-Private contribution	1,000

II. Private Contributions - Limited Partnership (debt/equity) Plan

-Equity Contribution - Already Paid	170
-Equity Contribution - New Commitment	150
-Misc. New Funds	10
-Debt Financing - 30 Year Bonds, Secured by Power Sales with DOE Backup	1,070
Less Interest during construction	400
Total Construction Funding	670
Total Private Contribution	1,000

III. Federal Guarantees or Understandings

A. Equity Contribution

- -Investment tax credit normally available
- -Tax deduction for depreciation and overhead costs normally available
- -Contract terms include incentive to maintain project specifications, costs and schedules.

B. Debt Financing

- -DOE provide assurances on revenue adequacy

IV. Political Liabilities

- -Not majority private contribution
- -Bonds equivalent to Treasury Bonds
- -Tax Credit amount to Treasury buying equity position for private party
- -No real private risk in the project

CLINCH RIVER VOTES

9/29/82 & 12/16/82

Abdnor
Andrews
Baker
*Boren
Burdick
*Cochran
D'Amato
Danforth
Denton
Dole
Domenici
East
Garn
Gorton
Grassley
Hatch
Heflin
Heinz
Helms
*Huddleston
Jackson
Johnston
Kasten
Laxalt
Long
Mathias
Mattingly
McClure
Murkowski
*Pressler
Sasser
Simpson
Specter
Stennis
Stevens
Symms
Thurmond
Tower
Wallop
Warner
Weicker
Zorinsky

42

9/29 NOT 12/16

Ford
Inouye
Packwood

12/16 NOT 9/29

*Jepsen
Rudman
Hawkins

Left Senate & With Us	Replaced By
Brady	Lautenberg
Cannon	Hecht
Hayakawa	Wilson
Schmitt	Bingaman

Left Senate & Against Us	Replaced By
H. Byrd	Trible

* Senators who are up for relection and vulnerable on this issue