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THE WHITE HOUSE
WASHINGTON

November 30, 1976

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: JIM CANNON
FROM: JIM CONNOR *JEC*
SUBJECT: Nuclear Plant in New Hampshire

The attached article was returned in the President's outbox with the following notation:

"I'm surprised Governor Thompson of New Hampshire didn't talk with me re this. What is story? "

Please follow-up with appropriate action.

cc: Dick Cheney

Attachment:

Article from WALL STREET JOURNAL
November 30, 1976



THE WHITE HOUSE
WASHINGTON

Jim Cannon

I'm surprised

Gov. Thompson of N.H.
didn't talk with me

re this.

What is story?

PS of New Hampshire May Have to Scrap \$2 Billion Nuclear Unit Over EPA Ruling

By MITCHELL C. LYNCH

Staff Reporter of THE WALL STREET JOURNAL

SEABROOK, N.H.—In what appears to be a \$2 billion misunderstanding with Washington, an electric utility is being forced to decide whether to scrub construction of a huge nuclear-powered facility outside this coastal resort town.

The company, Public Service Co. of New Hampshire, concedes it is in a serious predicament. If it halts construction, which began in July, it stands to lose about \$300 million it has spent on equipment ordered, and preparation and building costs so far. If it continues construction, it will go on spending about \$15 million a month to build an electricity-generating facility that may never go into operation.

"We're proceeding on a day-to-day basis," says a worried William C. Tallman, president of the utility, which owns 50% of the project. (The rest is owned by a group of nine other New England electric utilities. "I don't know how long we can go on this way," Mr. Tallman adds.

The trouble began earlier this month when the federal Environmental Protection Agency announced that the nuclear-powered facility, as currently planned, would kill some fish, clams and other marine life off the New Hampshire coast. Thus, the agency said, it wouldn't allow the plant to go into operation unless some costly changes were made in those plans.

The announcement was "like a thunderbolt out of the blue," says David N. Merrill, executive vice-president of the company. "We just weren't ready for it." Indeed, to hear PS of New Hampshire describe the situation, the EPA decision was outrageously arbitrary, made by a regional administrator who reneged on a previous approval and who freely contradicted the recommendations of his technical advisers.

EPA Contention

The EPA regional office in Boston, predictably, sees things differently. Officials there heatedly contend that PS of New Hampshire either is incredibly naive about how federal regulatory agencies operate or is calculatingly pushing a public relations blitz to force the EPA to change its decision.

The company hadn't legal grounds to begin construction last July, EPA officials claim. "When those guys gave the word to begin construction, they did so at their own peril," says Paul Keough, EPA regional public affairs director. "That was an intentional corporate decision they made," Mr. Keough added. "Perhaps if I were their legal counsel, I would have advised them to wait."

Whatever the merits, the New Hampshire imbroglio illustrates once again that government regulation of the use of nuclear power still is in its infancy, and companies building such facilities face a lot of risk and uncertainty. Indeed, when asked what he would advise other utility presidents if they faced similar circumstances, Mr. Tallman paused a moment and then replied:

"You know, when this situation came about, I didn't know of any company president I could call for advice. I don't think anything like this has ever happened before."

Skyrocketing Oil Costs

At stake is a \$2 billion nuclear-powered plant that by the early 1980s was to have supplied up to 80% of all the electricity to the growing market in New Hampshire and some other parts of New England. The company, which says it is already pushed near its output limit for electrical power, says the main reason for opting for nuclear power in future facilities is the skyrocketing cost of petroleum, used to fuel most of its existing power plants. Its bill for oil—all of it imported—last year was \$41 million, compared with \$3 million in 1971, the company says.

The project is enormous, whether measured by paper work, actual construction—or problems. The company first had to get site approval from the State of New Hampshire, and testimony at those hearings filled more than 6,000 pages. Hearings by the Nuclear Regulatory Commission, another federal agency whose approval is required, took up a further 11,000 pages.

Plans call for construction of a plant, with two atomic reactors, to cover about 40 acres of land near a sea bog and saltwater estuary. Already, about 300 construction workers have ripped off the topsoil and are cutting deep gullies into solid rock. This is in preparation for digging a hole about 300 feet deep. From there an intake tunnel, 19 feet in diameter, would be dug through solid rock 7,000 feet across the bog and into the sea. Connected with that will be a 5,000-foot-long discharge tunnel. In all, about 1.2 billion gallons of seawater a day would be brought into the plant to cool the reactors and then discharged into the ocean.

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ing about the way those conclusions were reached and how they became revised standards for building the nuclear plant.

Last spring the EPA gave "preliminary" approval to the utility's plans, stipulating only that the intake tunnel had to be made longer. The company says it took that approval to mean a "good faith" green light for the project. In July, the federal Nuclear Regulatory Commission granted the company a building permit. Armed with that and the EPA "good faith" decision, the company ordered construction to begin.

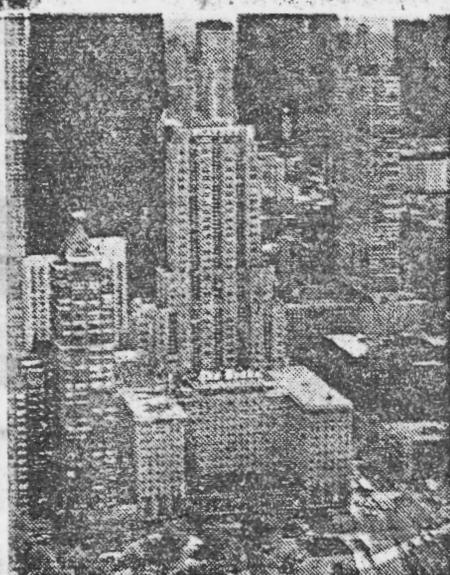
In November, the EPA announced its change of mind. John McGlennon, regional administrator, stresses that the utility "had no right interpreting my earlier decision as final." Indeed, he says one reason the spring preliminary decision was made was to allow anyone to appeal that decision. This was done by ecological groups—and by PS of New Hampshire itself, which protested lengthening the water tunnel. (Since then, it has agreed to lengthen the tunnel, but the latest EPA decision suggests making it even longer.)

The utility's appeal of the latest EPA decision could take more than a year before it is finally determined what kind—if any—nuclear plant the company can build. One reason for the delay is the change in presidential administrations.

Russell Train, who has the task of reviewing Mr. McGlennon's decision, is expected to leave in January as EPA administrator before making a decision. If his successor agrees with the McGlennon ruling, PS of New Hampshire could wind up taking the case to court.

Mr. Tallman says reasons the company is plunging ahead with construction include the arrival of expensive equipment for the plant. And if the plant is rejected, the utility would have to work out arrangements with suppliers, likely paying heavy penalty fees for any equipment returned. This includes the first of two \$80 million turbine generators being built by General Electric Co., due for delivery next spring.

Mr. Tallman also says he dreads, besides the high cost, the amount of new paper work involved if the company agrees to build cooling towers at the plant site, which isn't likely. This change would have to be approved by the Nuclear Regulatory Commission, and company officials say they have gotten the word from that agency that it would oppose construction of the towers.



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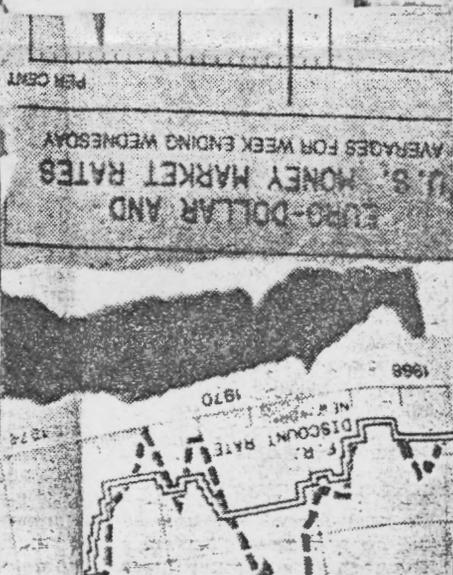
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Possible Threat to Sea Life

Those tunnels are the crux of the problem. The EPA says fish, clams and microscopic marine life would be sucked into the intake tunnel, dying quickly due to a sudden change in water pressure as they are whisked 300 feet below ground level. Furthermore, plans call for the plant to "back flush" the tunnels, or reverse the water flow, twice a month to clean out any marine life, such as barnacles, clinging to the inside of the tunnel. This sudden surge of hot water from the plant also would kill fish and clams outside the tunnel, the EPA says.

The EPA also says that the temperature of the water sent out of the plant would be 39 degrees warmer than surrounding ocean water, killing cold-water marine life in the area.

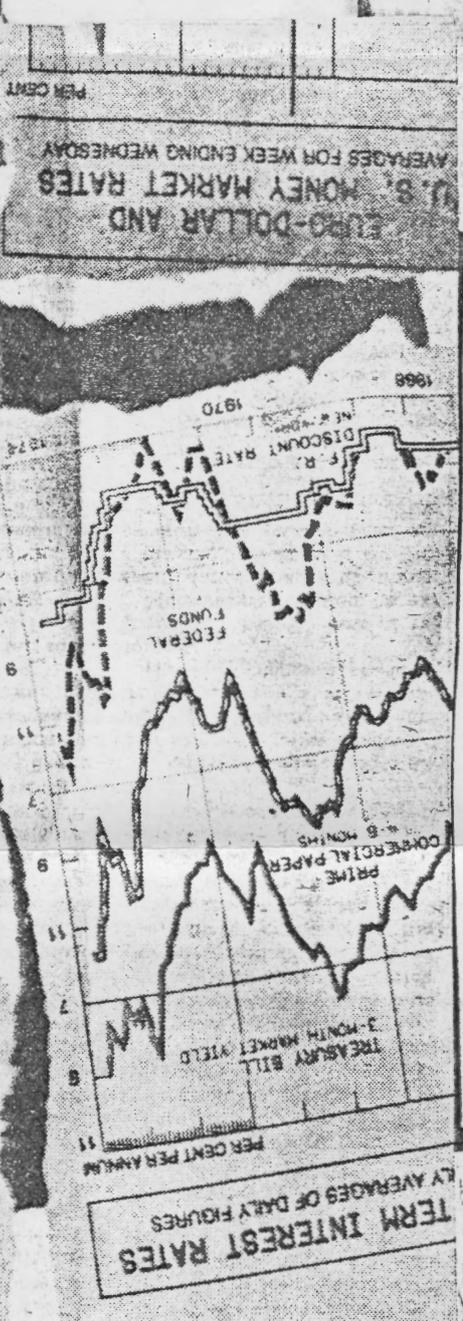
Thus, the EPA, in its decision earlier this month, said the tunnel plans are unacceptable. And while holding itself to not promising what plans it would approve, the agency suggested PS of New Hampshire consider lengthening the tunnel by an unspecified distance, or scrapping the "once-through" tunnel system altogether and adding expensive cooling towers to the plant itself.

The utility is protesting more than the EPA conclusions themselves. It is complain-

PS of New Hampshire could wind up taking the case to court.

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NAL, TUESDAY, NOV. 30, 1970