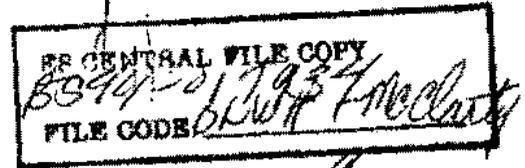




The Secretary of Energy
Washington, DC 20585

June 23, 1994



MEMORANDUM FOR MACK MCLARTY
FROM: HAZEL R. O'LEARY
SUBJECT: Weekly Report

Hazel R. O'Leary

PRESIDENTIAL INITIATIVES

Positive Results From Gore-Chernomyrdin Commission for Cooperation on Energy and Space

Nonproliferation Success

We had a successful week with our colleagues from the Russian Federation, making significant progress in energy policy, nuclear safety, and nonproliferation. An agreement was signed between our governments to shut down the Russian reactors producing weapons grade plutonium and to keep American reactors with capabilities to produce plutonium shut down. The agreement concluded yesterday commits the Russian Federation to shut down these reactors no later than 2000. The United States will assist the Russian Federation in securing financing to replace these sources of power. The agreement also stipulated that the plutonium being produced until plant closure should not be used in nuclear weapons.

This is a major step forward in reducing the amount of materials that can be produced for nuclear weapons and reduces the threat that plutonium produced in Russia will find its way to other nations not committed to our nonproliferation goals.

This historical agreement is a major step toward President Clinton's goal of a global ban on fissile materials for nuclear weapons.

Progress Made on Energy Policy Issues in the Gore-Chernomyrdin Commission

Today, Energy Minister Shafranik and I signed an agreement to open an oil and gas technology center in September. This center will be a place where oil deals can be made. It will provide opportunities for United States firms

to sell their equipment to the Russian Federation to encourage efficient exploration and production of Russian resources.

Progress has also been made in assisting the Russian government to develop a commercial and legislative framework to encourage investment in the energy sector. The Russian government recently submitted an oil and gas law to the Duma. The law has undergone its first reading and is now being sent to the regions for their review. The second reading will be completed by the end of the summer. This law will go a long way toward reducing the uncertainty potential investors face in Russia, leading to job creation in the United States, improving energy security, and assisting Russia in its transition to a democracy.

New Joint Efforts to be Undertaken by the Energy Policy Committee of the Gore-Chernomyrdin Commission

- Work with Russian and United States experts to study additional initiatives needed to privatize Russian energy companies and to develop a securities industry and regulatory regime.
- Assist with the development of the oil equipment industry at Russian factories, including the use of United States technologies. This work is being supported by the Export-Import Bank, as discussed in a June 22, 1994, meeting between Minister Shafranik and representatives of the Export-Import Bank. The Russians prepared and submitted a list of possible projects for consideration by U. S. experts.
- Propose regulations and other government actions needed to implement nondiscriminatory pipeline access principles. Absent this type of agreement, United States firms do not have the ability to gain access to pipelines necessary to export products from Russia and compete in world markets. We agreed to develop solutions for these issues in time for a November 1994 international conference in Moscow devoted to consideration of commercial and legal issues affecting investments in the Russian energy sector.

Follow-Up on the President's Energy Meeting with Members of Congress

As we have discussed, I will provide you with a draft letter that the President can send to the members of Congress who attended the meeting on energy issues outlining deliverables. I believe it would be a mistake not to send the Congress home with written commitments by the July 4 recess. A letter will be forwarded to you tomorrow.

The Department will be releasing its report on lifting the ban on the export of Alaskan crude oil within the next week. I believe that the announcement will generate significant media attention. To resolve the Administration's position on this issue, I think it is important that the principals get together in the very near future to formulate the Administration's position. My Chief of Staff has spoken to your staff asking that you take the lead in setting up this meeting.

The President's Commitment to Openness in Government

Living up to commitments made last December at our initial declassification press conference and the President's commitment to openness and declassification, on Tuesday, June 28, we will release new information vital to the people and elected officials living near our weapons production sites. In addition we will announce new initiatives on reforming our Freedom of Information process, addressing past abuses of whistleblowers, and providing an update on the current status of our human radiation experimentation issues. This press conference furthers the President's goal of providing the public with important information that had been withheld for the last 50 years. Release of the data related to nonproliferation was coordinated with the Department of Defense and the National Security Council.

Nonproliferation

The Department will release information related to its inventories of uranium and plutonium, nuclear weapons tests, and the characterization of the nuclear stockpile. The release of this information is designed to encourage similar disclosures from other nuclear powers in order to reduce the potential for misinformation on important nuclear issues.

Freedom of Information Reform

Compliance with the Freedom of Information Act by the Department, and the Federal Government in general, has been widely criticized and identified as a roadblock to an open government. We will announce a process designed to eliminate all backlogs of information by a date certain. The Freedom of Information initiative is also designed to better serve the American public.

Human Radiation Experimentation

I will provide an update on our activities to retrieve information related to human radiation experimentation. We will also disclose new experiments that have been uncovered. There are approximately 60 experiments that we

will reveal that involved intentional releases to the environment, testing of effects on humans, and inquiries into diagnostic and therapeutic uses of radiation.

Celebrating Whistleblowers

In the past, the Department has abused Government employees who have found it necessary to report on inadequate and sometimes illegal Government actions. These individuals have often had their security clearances revoked or lost opportunities for promotion. I will establish a panel to right past wrongs imposed on these individuals, establish an Employee Concerns Office that is open to such individuals, and will also work to protect whistleblowers from any reprisals. This is the first such initiative ever undertaken by a government agency.

Participation in the President's National Science and Technology Council

I will participate in the first meeting of the National Science and Technology Council Wednesday, June 29. I have also agreed, at the request of Jack Gibbons, to serve on a smaller subcommittee of the overall Council to assist in the development of a long-term science and technology strategy for the Administration. Such a strategy is important to several sectors of the industrial community that engage in significant science and technology work with the Department's National Laboratories.

Health Care

I will meet with Senators Bennett Johnston and Joseph Lieberman to discuss their current positions on health care legislation.

KEY DEPARTMENT NEWS

Idaho Lawsuit Filed by Governor Andrus

Today, the Department will release the draft Programmatic Environmental Impact Statement required as a result of our settlement with the State of Idaho. The settlement allowed for the continued shipment of specified amounts of spent Naval fuel to the Idaho National Engineering Laboratory in exchange for the development of a comprehensive Environmental Impact Statement addressing the ultimate disposition of the Department's nuclear fuel.

We have coordinated the release of this draft statement with the ten States that will be listed as potential sites for this fuel. This includes five Department of Energy sites in Idaho, Washington, South Carolina, Nevada and Tennessee and five Navy

sites in Hawaii, Washington, New York, Maine and Virginia. Because of the controversy associated with this issue, representatives of some of the States may voice their concerns about spent fuel in their States to the White House. We have worked with Governors and Congress to give early notice. I have personally spoken to the Governors of Tennessee, Idaho, South Carolina, and Nevada about the public hearings. This announcement will also generate significant regional media attention.

Lawsuits Filed by States and Utilities Wanting Yucca Mountain Opened or an Interim Site for Nuclear Disposal

The Federal Government is responsible for developing a repository for the ultimate disposal of spent nuclear waste. The repository at Yucca Mountain was supposed to be operational by 1998. The earliest Yucca Mountain would be open is 2010.

This means that 30 reactors will have to add onsite storage to remain operational. Their ratepayers will have to pay twice for storage between 1998-2010 if an interim storage facility is not developed. Absent an operational repository, there are questions with respect to our legal obligations to take title to waste and whether the Federal Government has been a responsible trustee of ratepayers funds that are supposed to finance the development of the repository, but are currently masking the size of the Federal deficit.

Because of this uncertainty, 20 States and 13 electric utilities filed suit against the Department of Energy in an attempt to clarify the Federal Government's responsibility for taking title to spent nuclear fuel in 1998. The Department of Energy in previous Administrations had negotiated contracts with electric utilities that stipulated a time frame by which the Department would take title to spent nuclear waste. Electric utilities in 21 States will run out of such storage by the year 2000. The Department has taken the view that absent an operational repository, we do not have an obligation to take title to this material.

In a separate action, several States filed suit against the Department arguing that it has not been a responsible trustee of ratepayers' funds that were placed into a fund to develop facilities for utilities to dispose of nuclear waste. The States are justifiably upset as ratepayers have paid approximately \$9 billion into the fund and only \$3.6 billion has been expended by the Federal Government. This is because this fund is within the unified budget, and the extra funds are used to mask the size of the Federal budget deficit. To the Administration's credit, we were the first to submit a proposal to the Congress that would have begun taking the waste fund off budget in order to create revenue to be expended for the purpose for which it they were delegated.

These lawsuits are a very serious matter. The Federal Government has not lived up to its obligation to develop the necessary facilities for the utilities' disposition of spent fuel. Even if Yucca Mountain becomes available in 2010, there will be a 15 -year gap between the time utilities start running out of fuel and when a repository becomes operational. In order to get past the Congressional elections, I have established a process that attempts to achieve consensus between the States and industries on an interim strategy which will ultimately culminate in a legislative proposal to be introduced in early 1995. As nuclear plants represent 20 percent of the Nation's power supply, we must develop the necessary policies to resolve this issue. If we do not, there will be serious economic consequences as more expensive replacement power will have to be found if plants are shut down. Additionally, there is political imperative to address the needs of 32 States with nuclear power plants.

THE WEEK AHEAD

- Alternative Uses for the 10 Major Department of Energy Laboratories

In February, I appointed Robert Galvin, Chairman of the Executive Committee of Motorola, to lead an independent review of the Department's laboratories to determine future missions for and appropriate size of the laboratory complex. The Galvin Committee will hold a meeting at the Lawrence Berkeley Laboratory to discuss these issues. These issues are critical to Northern California as the Lawrence Berkeley Laboratory and the Lawrence Livermore National Laboratory are significant employers of scientists and technologists and create a significant economic activity for the region. I will be at this meeting Thursday, June 30.

OUTREACH

- Congress

- Tuesday night, June 21, I participated in a fund raiser for Congresswoman Lynn Schenk.
- Tomorrow, I will meet with Senator Bennett Johnston on energy issues.
- Tuesday, June 28, I will meet with Senators Malcolm Wallop and Alan Simpson and Congressman Craig Thomas to discuss potential initiatives to reinvigorate the energy sector.
- Tuesday, June 28, I will meet with Congresswoman Jolene Unsoeld to discuss issues of interest to her, including health care.
- I will also meet with Senator Trent Lott Tuesday.

MEDIA

The agreement reached with the Russian Federation to close down their plutonium-burning reactors will receive significant media attention.

Also ran in 6/17 Seattle
Post Intell., D3)

SPOKESMAN REVIEW
Spokane, WA

B4
JUN 17 1994

O'Leary follows up on Hanford Summit pledges

But tribes say department not living up to her promises

By Ariva L. Brandt
Associated Press

PASCO — Energy Secretary Hazel O'Leary keeps her word

She promised more openness at the Department of Energy and has declassified thousands of documents. She honored her pledge to give citizens a voice in decision making on cleanup at the Hanford Nuclear Reservation.

But most importantly to many, O'Leary kept a promise made nine months ago to return to the Tri-Cities and report on her progress.

"It's for you to determine whether we've done enough," she told critics and supporters Thursday at Hanford Summit II after noting the declassification and release of 1,500 docu-

ments in the past eight months.

But she asked people to focus on the future.

"We need to move beyond blaming each other and what has gone wrong to talking about what needs correcting," O'Leary said.

The meeting is a sequel to the original Hanford Summit, during which O'Leary made three commitments, including promises to reduce the Cold War-era secrecy at Energy Department sites, protect whistleblowers and include area residents in decisions on cleanup issues.

Oregon Gov. Barbara Roberts called on O'Leary to do more.

"Since World War II, the Northwest has hosted the largest nuclear waste storage site in the nation at Hanford," Roberts said.

"No state today would allow a private entity to neglect such massive and harmful wastes. We should expect no less of our federal government," she said.

"Ways must be found to comply with environmental cleanup standards while assuring safe working conditions for workers involved in the cleanup effort," Roberts said. "We cannot waive essential requirements."

Donald Sampson, chairman of the

Confederated Tribes of the Umatilla, thanked O'Leary for the efforts she's made, but said her department has failed to live up to her principles.

"This summit has been organized in a way to sidetrack, not sovereign governments," said Sampson, who complained that topics of tribal interest were not being discussed at the summit.

He also raised issues related to construction of the Environmental and Molecular Sciences Laboratory, which was delayed when an Indian burial ground was found at the site.

The tribes had warned department officials that the site likely included a burial ground, but they were ignored, Sampson said.

"That story is not an isolated incident. It is typical," he said. "The lesson on the lab is that cutting corners on cultural resources will cost all of us in the end."

Jerry Meninick of the Yakama Indian Nation asked that a tract of land be returned to his tribe, rejecting the contention that it had been "damaged in the name of national security."

"This land wasn't damaged out of necessity but out of disregard for the environment and disregard for the people," Meninick said.

Refining a crude policy

In the hodge-podge of silly restrictions on US trade, the ban on exports of oil from Alaska is a monument to shortsightedness. The ban, imposed by Congress during the first oil price shocks of 1973-74 and bolstered by maritime workers' fears that they would lose jobs to such exports, is being restudied. The time for a change is long overdue.

The issue has been clouded by the heavy US reliance on imported oil, even with Alaska's output going entirely to the US market. An obvious market for some of the Alaskan oil is Japan, and any oil sold to the Japanese would have to be replaced from other sources.

Japan is nearby and would benefit from lower transportation costs for Alaskan crude, while US shipping interests and their maritime crews could also benefit.

Increased imports to make up for such shipments might come from expanded Mexican output, a plus for both countries in light of the recently approved NAFTA treaty. Americans, like the Japanese, would benefit from lower transportation

costs, since Mexican oil is much closer to major markets in the lower 48 states than Alaska is.

The petroleum world has changed enormously since the embargo was clamped on Alaskan exports. Members of OPEC, the international oil cartel, controlled the bulk of world trade, turning out about 60 percent of all non-Soviet oil. They were united in their resolve to keep control. Today OPEC accounts for less than 40 percent of output; deep divisions within OPEC and expanded output elsewhere have destroyed the cartel's ability to set prices. No buyer is at the mercy of any seller, and the danger of a surge in prices has diminished enormously, as the 1991 Iraq war demonstrated.

The International Energy Agency, sister to the Organization for Economic Cooperation and Development, has called for repeal of the embargo, and the Energy Department has begun work on a possible recommendation to Congress. Whatever value the ban may have had has long since evaporated. Repeal is in order.

Government Gives Boost To US Supercomputers

^{P.8}
CLINTON administration rhetoric about establishing "government-industry partnerships" in high-technology industries is becoming a reality.

Energy Secretary Hazel O'Leary unveiled a \$52 million initiative last week to develop new business uses for United States-made supercomputers. She predicted that the effort will bolster US computer firms as they face a rising challenge from Japanese companies. But critics call it a subsidy for a few firms not adapting to a drop in demand for supercomputers.

While visiting an initiative participant, Thinking Machines Corporation in Cambridge, Mass., Ms. O'Leary described the joint effort as an embodiment of the administration's economic philosophy. "In other nations, government and industry are co-joined to be globally competitive," she said. "This will provide for our national security needs and create high-paying jobs."

Critics say the Bush administration proposed a similar plan. But it was withdrawn after computer firms complained that it unfairly aided Cray Research Inc. of Minneapolis, which has won two-thirds of the \$1.2 billion world supercomputer market. Cray lobbied for both the Bush and Clinton initiatives.

Cray spokesman Steve Conway says the initiative involves 17 companies, including AT&T Bell Laboratories and General Motors Corporation, and will not only benefit Cray. Half of the funding will come from government, half from private industry. "The primary driver," he says, "is a set of broad problems that key US industries could get at if they had more computing power."

Under the agreement, industry researchers will work with supercomputers at the Energy Department's Los Alamos and Lawrence Livermore National Laboratories to develop programs with commercial applications that will help companies discover oil and natural gas, track pollutants, and develop advanced manufacturing materials. O'Leary said the labs have been primarily used to develop nuclear weapons, and the administration is looking for ways to convert military technology to civilian uses.

Larry Smarr, director of the National Center for Supercomputing Applications at the University of Illinois at Urbana-Champaign, warned that development of smaller, more powerful computers and large networks could reduce the demand for supercomputers. "The most important aspect of any government program," he said, "is to make sure the results are economically sustainable in the private sector."

- David Rohde, Cambridge, Mass.



MONDAY, JUNE 27, 1994

SCHEDULE FOR HAZEL R. O'LEARY

7:30 AM DEPART RESIDENCE FOR DOE
Met by Reggie Sellers

8:00 AM - 8:30 AM. HOLD

8:30 AM - 9:00 AM Daily Briefing
(Rich Rosenzweig, Dan Reicher, Jim Solit,
Mike Gauldin, Johannah Dottori, Beth Arner,
Carolyn Wallace)

9:00 AM - 11:00 AM HOLD

11:00 AM - 12:00 PM Press Conference on Declassification
Forrestal Auditorium
(Mike Gauldin, Dan Reicher)

12:15 PM DEPART DOE FOR THE PENTAGON
Met by Reggie Sellers

12:30 PM - 1:30 PM Lunch - Admiral Owens
The Pentagon - River Entrance

1:45 PM DEPART THE PENTAGON FOR DOE
Met by Reggie Sellers

2:00 PM - 3:00 PM Interview - Minority Business
Entrepreneur Magazine
Weldon Latham, Reporter
(Barbara Semedo, Corlis Moody)

3:15 PM - 3:30 PM Nick Timbers

4:00 PM - 5:00 PM Energy Communities Alliance Board
of Directors of Los Alamos County
Secretary's Conference Room
(William Taylor, Bob DeGrasse)

5:15 PM - 6:15 PM Appointment

6:45 PM Closeout

Notes:

**DROP-BY: Adventures in Supercomputing
Exposition
3:30pm-4:00pm - Student Demonstration
Room# 5E-069, Forristal Building
(Martha Krebs)**

TUESDAY, JUNE 28, 1994

SCHEDULE FOR HAZEL R. O'LEARY

7:30 AM DEPART RESIDENCE FOR DOE
Met by Reggie Sellers

8:00 AM - 8:30 AM HOLD

8:30 AM - 9:00 AM Daily Briefing
(Rich Rosenzweig, Dan Reicher, Jim Solit,
Mike Gauldin, Johannah Dottori, Beth Arner,
Carolyn Wallace)

9:00 AM - 10:00 AM Working Woman Photo-Op
Smithsonian Gardens (Across from DOE)
(Barbara Semedo)

10:00 AM - 10:45 AM India Trip Meeting
(Rich Rosenzweig, Dan Reicher, Dirk Forrister
Sue Tierney, Christine Ervin, Jack Siegel,
Martha Krebs, Ken Luongo, Bob Rainey,
Johannah Dottori, Steve Fried)

10:50 AM DEPART DOE FOR RUSSELL SENATE OFFICE BUILDING
Met by Reggie Sellers

11:00 AM - 11:30 AM Senator John Kerry and Senator Dale Bumpers
421 Russell Senate Office Building
(William Taylor)

11:35 AM DEPART RUSSELL SENATE OFFICE BUILDING FOR DOE
Met by Reggie Sellers

11:45 AM - 12:15 PM HOLD

12:15 PM DEPART DOE FOR THE PENTAGON - MALL ENTRANCE
Met by Reggie Sellers

12:30 PM - 1:30 PM Lunch- John Dalton, Secretary of the Navy
The Pentagon
(Met by LL Matt Koch, Protocol Officer)

1:35 PM DEPART THE PENTAGON FOR DOE
Met by Reggie Sellers

1:45 PM - 2:15 PM HOLD

2:15 PM DEPART DOE FOR THE CAPITOL BUILDING
Met by Reggie Sellers

2:30 PM - 3:00 PM Congressman Craig Thomas,
Senator Malcolm Wallop and
Senator Al Simpson
S-229 The Capitol Building
(William Taylor)

3:15 PM DEPART THE CAPITOL BUILDING FOR
RUSSELL SENATE OFFICE BUILDING
Met by Reggie Sellers

3:30 PM - 4:00 PM Senator Trent Lott
(William Taylor)

4:05 PM DEPART RUSSELL SENATE OFFICE BUILDING
FOR HART SENATE OFFICE BUILDING
Met by Reggie Sellers

4:15 PM - 4:45 PM Senator Joseph Lieberman
316 Hart Senate Office Building
(Rich Rosenzweig, William Taylor)

4:50 PM DEPART HART SENATE OFFICE BUILDING FOR
RUSSELL SENATE OFFICE BUILDING
Met by Reggie Sellers

5:00 PM - 5:30 PM Senator Carl Levin
459 Russell Senate Office Building
(William Taylor)

5:35 PM DEPART RUSSELL SENATE OFFICE BUILDING FOR DOE
Met by Reggie Sellers

5:45 PM - 6:30 PM Close Out

6:30 PM - 7:00 PM HOLD

7:00 PM DEPART DOE FOR DINNER
Met by Reggie Sellers

7:30 PM Dinner with Congresswoman Jolene Unsoeld

Notes: DROP-BY: Adventures in Supercomputing
Exposition
2:15pm-3:00pm - Awards Ceremony
Room# 5E-069, Forristal Building
(Martha Krebs - speaking)

WEDNESDAY, JUNE 29, 1994

SCHEDULE FOR HAZEL R. O'LEARY

7:30 AM DEPART RESIDENCE FOR DOE
Met by Reggie Sellers

8:30 AM - 9:00 AM Daily Briefing
(Rich Rosenzweig, Dan Reicher, Jim Solit,
Mike Gauldin, Johannah Dottori, Beth Arner,
Carolyn Wallace)

9:00 AM - 10:45 AM HOLD

10:50 AM DEPART DOE FOR THE WHITE HOUSE
Met by Reggie Sellers

11:00 AM - 12:30 PM National Science and Technology
Council Meeting with the President and
Vice President
The White House - Roosevelt Room

12:35 PM DEPART THE WHITE HOUSE FOR DOE
Met by Reggie Sellers

12:45 PM - 1:00 PM HOLD

1:15 PM DEPART DOE FOR NATIONAL AIRPORT
Met by Reggie Sellers

2:00 PM DEPART NATIONAL AIRPORT FOR OAKLAND, CA.

6:09 PM Arrive Oakland, CA

THURSDAY, JUNE 30, 1994

SCHEDULE FOR HAZEL R. O'LEARY

8:00 AM Quarterly Lab Directors' Meeting
Lawrence Berkeley Laboratory
(Toni Joseph)

1:30 PM - 4:00 PM Plenary Session of the Secretary
of Energy's Advisory Board
(Jake Stewart)

FRIDAY, JULY 01, 1994

SCHEDULE FOR HAZEL R. O'LEARY

7:30 AM DEPART RESIDENCE FOR DOE
Met by Reggie Sellers

12:30 PM - 1:30 PM Lunch

Notes: CONGRESS OUT OF SESSION



Department of Energy
Washington, DC 20585

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Date: 6/23
To: Christine Kurney
From: Sec. O'Searcy

Transmittal consists of 10 pages, excluding this form.

Notes:



Department of Energy
Washington, DC 20585

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Date: 6/23/94
To: Brian Burke
From: Sean O'Leary

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Transmittal consists of 10 pages, excluding this form.

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Notes:



The Secretary of Energy
Washington, DC 20585

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June 30, 1994

MEMORANDUM FOR MACK MCLARTY
FROM: HAZEL R. O'LEARY
SUBJECT: Weekly Report

PRESIDENTIAL INITIATIVES

Presidential Delegation to India

Consistent with the President's commitment to Prime Minister Rao during their May 19, 1994, meeting, I will lead a Presidential delegation to India July 8-17. The President stated that I would go to India to begin working with the Indian Government on renewable energy projects. There are enormous opportunities for the U.S. Government and our private sector firms to support sustainable development in India. We will benefit by creating markets for U.S. technology and ensuring global environmental protection. The delegation will consist of 40 individuals from government, business and non-government organizations. This will be the first delegation led by a Cabinet member to India in ten years.

The purpose of the mission will be to advance several Administration initiatives including renewable energy, sustainable development, global climate change mitigation, pollution prevention, energy efficiency, and nuclear safety. We hope to reach agreement with the Government of India to establish regular dialogue on energy issues and specific bilateral agreements on renewable energy and clean coal technology. We also intend to dedicate a cooperative research and development center for thermal power production as well as a sustainable development center to advance renewable energy and energy efficiency.

A key focus of this mission is to promote US energy and environmental exports to India's "Big and Emerging Market" (BEM). Securing a share in this growing market for U.S. firms will create high quality jobs for American workers while helping India to achieve its sustainable development goals.

We hope to encourage business agreements in natural gas, renewable energy, environmental technology, industrial co-generation, and clean coal technology. We estimate the value of these cooperative agreements at \$3 to \$5 billion.

President's Commitment to Openness in Government

Honoring a commitment that I made last December and fulfilling the President's openness-in-government mandate, the Department held a press conference Tuesday to announce a major declassification of information about the Department's nuclear weapons program including the revelation that a nuclear test was performed using civilian reactor grade plutonium. This evidence of the proliferation potential of civilian reactor plutonium supports the Administration's opposition to the Integral Fast Reactor.

We also discussed three major openness initiatives: Freedom of Information Act reform, whistleblower policy, and human radiation experiments. The Department set priorities for the information released with the participation of thousands of stakeholders at meetings held across the country over the past six months.

Key information declassified included the quantities and locations of weapons-grade uranium, revelations about underground nuclear tests including the explosive yield of past U.S. nuclear tests. We also released information about 448 additional human radiation experiments conducted primarily during the 1950s and 1960s. The event received coverage from all of the major television networks. A fuller description of media coverage is included in the Media section of this report.

• Presidential Response to Members of Congress on Energy Issues

As communicated last week, my staff has sent your staff a letter to serve as a response from the President to the members of Congress who attended the meeting on energy policy issues two weeks ago today. The letter details a response on marginal wells and a process to examine these issues, lifting of the ban on the export of Alaskan crude oil, and a process that addresses regulatory issues affecting the energy industry. National Economic Council staff, DOE staff and your staff have agreed to the content of this letter. I strongly recommend that this letter be sent in the very near future.

KEY DEPARTMENT NEWS

• Study Detailing the Results of Lifting the Ban on the Export of Alaskan Crude Oil

The Department's study that details the results of lifting the ban on the export of Alaskan crude oil will be released today. The results detail that 10,000-25,000 jobs will be created, primarily in California and Alaska. Oil production will increase by 100,000 barrels by 2000 enhancing energy security, and affected States and the Federal Government will gain revenue. The study also concluded that there will be no adverse impact on the environment or consumers due to increased gasoline prices in California.

The Department met with the California Senate delegation and Senator Murray in an attempt to continue to address the concerns that they have articulated on lifting the ban. Additionally, I will provide answers today to all questions that have been asked by Members of Congress to be responsive to all concerns.

The study clearly recognizes the economic and energy benefits from lifting the ban, but states that the Administration's position on lifting the ban will be developed after considering ongoing international trade negotiations. The Export Administration Act, one of the statutes in which the ban is included, has been extended to August 20, 1994. I believe we should have a position by the time that the Act requires reauthorization. One option is to take the position that the Administration supports lifting the ban and allow Congress to address the associated economic, energy, and trade-related matters. The results of this study are likely to generate significant media attention.

Energy and Water Appropriations Bill

The Fiscal Year 1995 Energy and Water Appropriations Bill is presently being debated on the Senate floor. This appropriation funds 90 percent of the Department's programs. The bill funds our renewable energy, scientific and technology activities, and defense programs. There are two contentious issues that will be debated by the Senate: the future of the Integral Fast Reactor (IFR) and fusion programs.

Senator John Kerry offered an amendment today to terminate the Integral Fast Reactor Program. This effort failed by a 52 to 42 margin. As the House version of the bill calls for termination of the project, we will formulate a strategy to gain support for termination in conference while advocating the alternative missions for the Argonne National Laboratory that are included in the President's budget amendment that was submitted to the Congress June 17, 1994.

I had communicated two weeks ago in the Weekly Report that the Department had agreed with Senator Johnston that construction of the Tokamak Physics Experiment (TPX) at Princeton, New Jersey, should not move forward until the scope of our international collaboration on the International Thermonuclear Experimental Reactor was more fully mature. The Tokamak project is the next step in our efforts to develop fusion as a viable energy source and is a complement to this international reactor. The international project will consist of building a commercial scale fusion project. The host country to the international project will contribute 60-70 percent of the cost of the \$10 billion project and an additional percentage of the \$10 billion in operational costs. Senator Johnston was not comfortable initiating construction of the Princeton project until we had a definitive position on the international project. Thus, in coordination with the Office of Science and Technology Policy, the Office of Management and Budget and the Vice President's office, we negotiated an agreement with Senator Johnston to continue research work at the existing fusion reactor at Princeton, maintain the design team for the Tokamak project, and submit a budget request to initiate the construction on the Tokamak in fiscal year 1996. This agreement would have led to the establishment of 200 additional jobs at Princeton Laboratory in fiscal year 1995. The House has included construction funding in the Fiscal Year 1995 Energy and Water Appropriations Bill. The New Jersey Senators were not comfortable without initiating construction of TPX in fiscal year 1995.

Over the last week, out of concern with its relationship with other projects, the Administration changed its position and agreed to allow the New Jersey delegation to work with Senator Johnston on an amendment that would initiate construction of the Tokamak project this year. A solution was worked out which will apply \$45 million to initiate construction of Tokamak in fiscal year 1995 contingent upon the reaching several milestones in our international negotiations. The negotiation of these milestones will be difficult to achieve. This \$45 million would come from the funding that would have gone to experiments we were planning at the existing Princeton reactor. Thus, this new agreement will cost jobs at the Princeton facility as ongoing research at the existing reactor will not take place. I do not believe that this is beneficial to either New Jersey or the future of the Nation's fusion program. We will work with affected agencies to develop a position for the upcoming conference committee that will probably take place in late July or early August.

- Litigation Filed by the State of Nevada

Tuesday, June 28, 1994, the State of Nevada filed suit under the National Environmental Policy Act against the Department in the U.S. District Court in Nevada. The State seeks to halt essentially all of the Department's activities at the Nevada Test Site until a comprehensive site-wide Environmental Impact Statement (EIS) is prepared. Prior to the filing of this suit, the Department was preparing to inform the State of our intention to prepare such an environmental study. The major issue on this case involves the Department's ability to continue activities at the Test Site, including shipping low-level waste from environmental remediation programs at other facilities, pending completion of an EIS. The Department plans to work with Governor Miller and the State to reach a mutually agreeable solution. So far the State has not filed a preliminary injunction.

OUTREACH

- Congress

- Tuesday, I met with Senators Malcolm Wallop and Alan Simpson and Congressman Craig Thomas to discuss potential initiatives to reinvigorate the energy sector.
- Tuesday, I met with Senator John Kerry to discuss strategy for terminating the IFR.
- Tuesday, I met with Senator Joseph Lieberman to discuss his views on health care reform issues. He communicated the difficulty he has experienced in gaining support for the President's plan. The Senator said that currently there are not enough votes in the Senate to pass the President's package, and he inquired as to how much the President would be willing to compromise on the issue of universal health coverage.
- Tuesday, I met with Senator Carl Levin to discuss the nuclear waste issue. Michigan is host to a plant that has had to add additional on-site reactor storage after its existing storage pools have been filled.

MEDIA

- New York Times and Los Angeles Times

I conducted interviews with the New York Times and Los Angeles Times that focused on the results of the Department's Alaskan Export Ban Study.

- Declassification Event

Tuesday's declassification press conference generated significant national and regional media attention. The reports were favorable.

- Minority Business Entrepreneur Magazine

I conducted an interview with the Minority Business Entrepreneur Magazine to discuss the Administration's initiatives that create opportunities for minority and small businesses to expand and create jobs.

TUESDAY, JULY 05, 1994

SCHEDULE FOR HAZEL R. O'LEARY

6:30 AM DEPART RESIDENCE FOR USIA BUILDING
Met by Reggie Sellers

7:00 AM - 8:30 AM Interview - WorldNet
USIA Headquarters
301 4th Street, S.W.
(Met by Dirk Forrister and Sam Grizzle)

8:35 AM DEPART USIA BUILDING FOR DOE
Met by Reggie Sellers

9:00 AM - 9:30 AM Daily Briefing
(Rich Rosenzweig, Dan Reicher, Jim Solit,
Mike Gauldin, Johannah Dottori, Beth Arner,
Carolyn Wallace)

10:00 AM - 11:30 AM Senior Staff Meeting

11:35 AM DEPART DOE FOR THE DEPARTMENT OF STATE
("C" STREET ENTRANCE)
Met by Reggie Sellers

11:45 AM - 1:00 PM Swearing-in Ceremony for Ambassador Frank Wisner
(U.S. Ambassador to India)
2201 C Street, N.W.
Department of State
Ben Franklin Room
(Met by Department of State Protocol
Officer)

1:05 PM DEPART DEPARTMENT OF STATE FOR DOE
Met by Reggie Sellers

1:15 PM - 2:00 PM Lunch

2:00 PM - 4:00 PM HOLD

4:00 PM - 4:30 PM Ambassador Frank Wisner
U.S. Ambassador to India
(Sue Tierney)

5:00 PM (TBD) Inoculation for India Trip

WEDNESDAY, JULY 06, 1994

SCHEDULE FOR HAZEL R. O'LEARY

7:30 AM DEPART RESIDENCE FOR DOE
Met by Reggie Sellers

8:30 AM - 9:00 AM Daily Briefing
(Rich Rosenzweig, Dan Reicher, Jim Solit,
Mike Gauldin, Johannah Dottori, Beth Arner,
Carolyn Wallace)

10:00 AM - 11:00 AM (Tentative) Success Story Review
(Nancy Widenfeller)

11:00 AM - 11:30 AM Ambassador Siddhartha Shankar Ray of India
(Sue Tierney)

11:45 AM - 1:15 PM Lunch with Mary Nichols,
Assistant Administrator for
Air and Radiation, EPA
(Dan Reicher)

1:30 PM - 2:00 PM HOLD

2:00 PM - 3:00 PM Budget Guidance Meeting
(Sue Tierney, Betty Smedley, Bill White)

3:00 PM - 3:30 PM HOLD

3:30 PM - 4:00 PM Richard Hopf
Deputy Secretary for Procurement
and Assistance Management

4:30 PM - 5:00 PM Close Out

5:15 PM - 6:15 PM Appointment

Notes: CONGRESS OUT OF SESSION

THURSDAY, JULY 07, 1994

SCHEDULE FOR HAZEL R. O'LEARY

7:30 AM DEPART RESIDENCE FOR DOE
Met by Reggie Sellers

8:30 AM - 9:00 AM Daily Briefing
(Rich Rosenzweig, Dan Reicher, Jim Solit,
Mike Gauldin, Johannah Dottori, Beth Arner,
Carolyn Wallace)

9:00 AM - 10:00 AM DOE Labor 3161 Policy
(B. White, W. Taylor, M. Krebs, V. Reis,
A. Durham, T. Grumbly, B. Nordhaus,
S. Tierney, B. DeGrasse, T. McBride,
M. Sullivan, B. Alvarez, D. Pearman,
T. Schneider, D. Zimmerman, D. Reicher)

10:00 AM - 10:30 AM HOLD

10:30 AM - 11:30 AM Success Story Taping
(Nancy Widenfeller)

11:30 AM - 12:30 PM HOLD

12:30 PM - 1:30 PM Lunch with Reporters
(Mike Gauldin, Joey Lucas)

2:00 PM - 2:30 PM John Fuller, CEO of Amoco
and Karen St. John

3:00 PM - 6:30 PM (HOLD) India Press

Notes: CONGRESS OUT OF SESSION

Notes: (TBD) Depart For India

FRIDAY, JULY 08, 1994

SCHEDULE FOR HAZEL R. O'LEARY

Notes:

Travel - India
CONGRESS OUT OF SESSION

SATURDAY, JULY 09, 1994

SCHEDULE FOR HAZEL R. O'LEARY

Notes:

Travel - India
CONGRESS OUT OF SESSION

Tri-Valley Herald

Page A-9
Tuesday
June 28, 1994

Radiation: Best dose is no dose

Lab researcher says any level risky

By Jonathan Weisman
STAFF WRITER

SAN FRANCISCO — A year after stunning former colleagues at the Lawrence Livermore National Laboratory with his findings, Mortimer Mendelsohn told a wider public audience that there appears to be no safe dose of radiation.

Speaking at the annual conference of the Health Physics Society, Mendelsohn, the vice chairman of the Radiation Effects Research Foundation in Hiroshima, said cancer incidents among atomic bomb survivors rise linearly with radiation exposure. That is, even small doses of blast radiation have resulted in elevated cancer levels. And those cancer rates increase steadily as radiation exposure increases.

Mendelsohn, the lab's former associate director for biomedical research, revealed his findings a year ago at a talk at Lawrence Livermore. The findings shake up an orthodoxy that holds that low doses do not increase cancer risk because the body can repair damage.

Mendelsohn published his findings in the February issue of the scientific journal *Radiation Research*, using data from 120,00 survivors of the atomic bomb blasts at Hiro-



Mendelsohn

shima and Nagasaki and 8,618 cancer cases. Cancer rates in the group are about 63 percent higher than normal.

"The publication's only four months old, but the idea has been out there for a year now," Mendelsohn said after his speech Monday. "It's moved into the mainstream rather nicely."

If so, that was not clear at the generally conservative gathering of the Health Physics Society. Mendelsohn was asked if some of the cancer cases could be due to other factors associated with bombings, such as trauma, stress and social dislocation. Another scientist asked how the now well-understood human repair mechanism could be working so poorly.

"If we get data that looks like a linear increase in cancer incidents, it suggests we need more research," said Patricia Durbin, a veteran at Lawrence Berkeley Laboratory.

Mendelsohn cautioned that the effects of radiation from an instantaneous atomic blast could be very different from those stemming from chronic low level exposure facing nuclear workers or contaminated communities. Data from those effects are not nearly as strong as the information on blast survivors, but studies will soon come in from the communities around Chernobyl and Russian nuclear weapons factories.

"Is it more dangerous? Is it less dangerous? I could argue it either way," Mendelsohn said. "We need those studies."

Mendelsohn's findings are important for two reasons: one, because unlike others scientists who have argued against a safe dose threshold, Mendelsohn is not considered a maverick. And two, because Hiroshima findings are traditionally used to establish regulatory safety standards.

ALBUQUERQUE JOURNAL

CIRCULATION: DAILY 24,000
SUNDAY 21,000

CONTINUED

PAGE NO. ARTICLE APPEARED: A-7

DATE: 6-28-94

Continued

Sandia, Los Alamos Nuke Stockpile Figures Released

CONTINUED FROM PAGE A1

⁹⁹ and other radioactive substances to more than 800 pregnant women. Follow-up studies showed a slight increase in cancer rates among children born to the participants.

In another study, held at federal-run weapons laboratories, the subjects were exposed to barium, strontium and other radioactive isotopes in an attempt to help researchers determine how radiation detection equipment should be calibrated.

"I think almost any of us, in reading the descriptions of these experiments, could find something to be disturbed with," O'Leary said.

"The very business of medical experimentation is grisly," she said. "And the one that especially caused me angst when I first heard of it was the one that is called 'Project Sunshine,' and it involved the use of aborted fetuses and stillborn youngsters."

But she noted that DOE-run experiments evolved into cancer treatments and the modern field of diagnostic testing called nuclear medicine.

O'Leary's new "Openness Initiative" was forged by reports last year of government-run radiation experiments on people without their knowledge.

She said Monday her department has become "a very changed Department of Energy." As part of that change, she promised sweeping new protections for DOE whistle-blowers, faster response to public requests for unclassified documents under the Freedom of Information Act and less unnecessary secrecy.

The DOE is studying compensation for people injured or made ill by many of the DOE operations. The list of people injured, often decades ago, is growing.

Included in the documents O'Leary released were details of 29 nuclear-weapon tests at the Nevada

Test Site that released radioactively downwind.

People who suspect they were adversely affected by those tests and their families have fought the DOE for decades to get legal damages.

Some of the documents included the size of the nation's uranium stockpile and revelations of "clusters" of nuclear devices exploded simultaneously to adhere to nuclear-testing treaties. All underground nuclear tests have now been declassified, she said.

O'Leary disclosed that the government produced far greater quantities of highly enriched, weapons-grade uranium between the beginning of the nuclear age in 1945 and the end of production in 1992 than previously known.

The factories in Ohio and Tennessee of the Energy Department and its predecessors produced 2.1

CONTINUED

Valley Times—7A

Tuesday, June 28, 1994

State finds toxic-waste violations at Livermore lab

Times Staff

LIVERMORE — The California Department of Toxic Substances Control has cited Lawrence Livermore Laboratory for seven "minor" violations of hazardous-waste regulations, state agency spokesman Allan Hirsch said Monday.

The state conducted a routine inspection of the lab in May and issued citations June 1, he said.

The violations, which included storing a drum of waste beyond a 90-day limit and paperwork errors, "do not cause us any concern about the lab's ability to manage hazardous waste," Hirsch said.

The new violations follow close on the heels of a settlement announced late last month in which the lab agreed to pay \$60,000 to cover costs of investigating 40 hazardous-waste violations dating back to 1989.

Compared to those violations, the new set are of less concern, although the state might still impose fines, Hirsch said.

According to a lab news release, the lab has corrected nearly all the violations.

None of them posed a threat to human health or the environment, the release said.

4A—Valley Times

Tuesday, June 28, 1994

Employees at lab seek results of bias probe

By GUY ASHLEY
Staff writer

PLEASANTON — Results of an investigation into charges of racial discrimination at Lawrence Livermore Lab should not be released to the public because disclosure would undermine the lab's fact-finding processes, according to documents filed Monday in Alameda County Superior Court.

The documents were filed in response to a lawsuit by a group of minority lab employees, the Association of Ethnic Minorities. The suit says investigators told the AEM that their findings would be released and that the findings should be made public under the California Public Records Act.

But, in its response, lab officials assert the documents sought by the AEM are exempt from public records requirements because the need to protect the lab's "deliberative processes" outweighs the need for public disclosure.

"If disclosure of such material were required, the almost inevitable effect will be to diminish if not destroy the laboratory's ability to engage in the kind of meaningful deliberative process (the public records act) was meant to protect," the suit says.

"Such disclosure would, as well, likely cause LLNL to forgo the assistance of consultants to address sensitive issues such as the employment discrimination claims involved here," the suit says.

The suit goes on to say that disclosure would likely prompt investigators to temper their remarks to avoid public criticism.

A hearing on the issue will be held in Alameda County Superior Court next month.

BOSTON HERALD— JUN 28 1994

'Grisly' radiation testing discovered

By JOE BATTENFELD ^{PIA}

WASHINGTON — A government probe has uncovered dozens of shocking new human radiation experiments — including one case in Boston and others involving feeding radioactive material to infants and studying aborted fetuses.

Most of the 48 newly discovered experiments, which involved up to 1,200 patients, were done without consent of the subjects and had no medical benefit, officials announced yesterday.

Lawmakers said the new cases, which officials described as "grisly" in nature, increase the need for legislation providing compensation for the living victims.

Obviously the implications for the horror this has inflicted on people is astounding," U.S. Rep. Joseph P. Kennedy II said in an interview, noting most of the subjects in the experiments were "vulnerable." The Energy Department said one experiment conducted in Boston involved giving radioactive zinc to a 67-year-old leukemia patient and a healthy control subject.

The purpose of the experi-

ments was to track zinc retention in the body. The report did not say where the experiment was performed but indicated it was funded by the government.

Some of the experiments — which were not discovered in a 1988 report by U.S. Rep. Edward Markey (D-Malden) — continued as late as the 1980s, officials said.

Energy Secretary Hazel O'Leary and other officials said the secret experiments show a troubling pattern of the use of the terminally ill and children as unwitting subjects.

O'Leary said she was most concerned about a so-called "Project Sunshine" experiment where aborted fetuses were studied. In another experiment, researchers fed infants highly radioactive strontium and collected their diapers to study the excrement.

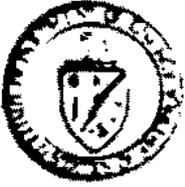
Officials said evidence indicates the researchers knew the studies were improper and tried to dispose of the subjects as fast as possible.

"Almost all of us reading the descriptions of these experiments would find something to be disturbed about," O'Leary said.

BURRELLE'S

NEWS EXPRESS

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Department of Energy
Washington, DC 20585

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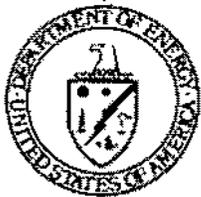
Date: 6/30/99
To: David Busby
From: Sean O'Leary

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Notes:

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The Secretary of Energy
Washington, DC 20585

O C W H MCLARTY - E 594 - 018839

July 7, 1994

MEMORANDUM FOR MACK MCLARTY

FROM: HAZEL R. O'LEARY

SUBJECT: Weekly Report

PRESIDENTIAL INITIATIVES

• Energy for Sustainable Development Mission to India

I leave for an eleven-day mission to India today. This mission is a result of a commitment that the President made to Prime Minister Rao during their May 19, 1994, meeting and is the first visit to India by a Cabinet member in over ten years. Our goals for this mission are to forge government and private sector cooperation and to assist India in meeting its energy needs in a sustainable fashion. We will also initiate discussions on important commercial nuclear safety issues.

Many U.S. firms have displayed interest in introducing their technologies to the Indian energy market. To address these opportunities, we have assembled a high-level delegation of business, environmental and government leaders.

To accomplish our goals of cooperation and sustainable energy development, we have developed an ambitious agenda and plan to sign 17 separate government and business agreements. Among the important government-to-government agreements are a proposed Arrangement for Cooperation in Renewable Energy, a proposed Memorandum of Understanding on Bilateral Energy Consultations, and a Statement of Intent to Cooperate in the Field of Fossil Energy. Among the important business arrangements and announcements is a joint announcement of the largest private power project in the history of India between the Maharashtra State Electricity Board and Enron, Bechtel and General Electric. We will also dedicate the DOE-Government of India Energy for Sustainable Development Center that will serve as an in-country resource for U.S. firms seeking to supply renewable energy and energy efficiency markets in India. It is estimated that \$3-4 billion in business agreements will be signed during this mission, creating jobs in the renewable energy and environmental technology sectors.

We have also worked with the Confederation of Indian Industries, the Federation of Indian Chambers of Commerce and Industry, and the Associated Chamber of Commerce to sponsor the Indo/U.S. Energy Summit: Cooperation for Sustainable Development. We hope that this event will serve as a showcase for the renewable energy and environmental technologies of U.S. industry. The seminar, sponsored by non-governmental organizations, will include round table

discussions of several issues critical to sustainable energy development including renewable energy-based rural electrification and financial incentives for sustainable development. The goal of these round tables is to develop a strategy with specific financial and institutional changes necessary to develop and deploy sustainable energy sources in India. Minister of Non-conventional Energy Kumar, Minister of Power Salve, and Minister of Environment Nath will participate in the seminar.

I believe that this mission will help the Administration to enter the new era of governmental and commercial cooperation with India that the President initiated in his May meetings with Prime Minister Rao.

Creating a Government the Works Better and Costs Less

Yesterday, I met with several business reporters to discuss the Department's initiatives to reform our contract process. I announced the Department's decision to compete and renegotiate approximately \$40 billion in contract services. Department of Energy contracts representing a value over five years of \$27 billion in contract services will be competed and 14 existing agreements will be renegotiated. Contracts will be competed at Savannah River in South Carolina, Rocky Flats in Colorado, Hanford in Washington, the Idaho National Engineering Laboratory, and the Nevada Test Site. This compares with six contracts that have been competed over the last 25 years at a value of \$14.5 billion and represents a major departure from past practices. This initiative is part of our continuing effort to reform our contracting practices. Last year the Department initiated a freeze on contractor salaries (resulting in a savings over the next five years of \$1.5 billion) and reduced support service contracts by 12 percent (saving \$100 million in fiscal year 1994).

Our contract operations were in a serious need of an overhaul. Our management and operating contractors had previously operated under "cost-plus" contracts and they have often been compensated regardless of performance. The newly competed contracts will be fixed-price contracts. It is estimated that these efforts will save taxpayers 15-20 percent versus past practices.

In addition to the increase in oversight capability and cost effectiveness, the competition of these contracts will provide opportunities for small and minority-owned businesses that have previously been unable to compete for contracts with the Department. It is our belief that this contract reform effort furthers the Administration's efforts to "reinvent government" that works better and costs less. This initiative has generated significant media coverage, which will continue in the media near our weapons facilities.

- Response to Members of Congress on Energy Issues

A letter from the President was sent today to the Members of Congress that attended the meeting with the President on energy issues three weeks ago. I believe that the response will insulate the Administration from criticism that we do not take issues affecting the industry and the regional economy seriously. The response is a substantive one committing the Administration to working with the Congress to develop revenue neutral proposals that can extend the productive lives of marginal wells and addressing trade issues that currently inhibit the Administration from taking an affirmative position on lifting the ban on the export of Alaskan crude. Finally, this letter commits the coordination of the National Economic Council and the Office of Information and Regulatory Affairs to ensure that the Administration's regulation of the industry is consistent with the President's Executive Order.

OUTREACH

- Congress

Due to the recess, I did not meet with any Members of Congress this week.

- Yesterday, I met with Ambassador Siddhartha Shankar Ray of India to discuss our visit next week.
- I also met with Frank Wisner, the newly sworn-in Ambassador to India, to discuss goals for our upcoming trip to India.

MEDIA

- United States Information Agency

I participated in an interview with the U.S.I.A.'s *World Net* broadcasted live in India. The subject of the interview was our upcoming mission to India.

- Briefing with Reporters on Contract Reform

Yesterday, I conducted a briefing for reporters from the *Washington Post*, the *New York Times*, the *Wall Street Journal*, *Time*, *Newsweek*, *Business Week*, *U.S. News and World Report*, Reuters, the Associated Press, and others on the Department's Contract Reform Initiative. The discussion focused on the Department's announcement to compete or renegotiate \$40 billion of contracts to achieve increased cost effectiveness and contractor accountability.

- Los Angeles Times

I conducted an interview with the *Los Angeles Times* on the impacts of lifting the export ban on Alaskan crude oil. The interview provided me the opportunity to discuss the Department's recently released study that details the economic benefits of lifting the ban to the State of California. The interview also allowed me to highlight that our Administration is the first since the ban was adopted to examine the economic impacts of the ban and place it on the public policy agenda.

- Washington Post

Today, I conducted an interview with the *Washington Post* that focused on the Administration's current position on lifting the ban on the export of Alaskan crude oil. I also discussed my goals for our upcoming mission to India and the Administration's commitment to the second largest nation in the world.

- Washington Business Journal

Tuesday, I was interviewed by the *Washington Business Journal*. The interview focused on the cultural changes that have taken place at the Department of Energy in the transition from primarily a defense mission to a diverse mission that links economic growth with environmental quality, sustainable energy resources, and national security. We also discussed the success that we have had in applying a corporate culture at the Department that is predicated on quality management, increased cost effectiveness, and efficiency. The article is scheduled to appear in the July 22, 1994, issue.

By H. JOSEF HEBERT
Associated Press Writer

WASHINGTON (AP) -- Contending that contractors often get a blank check, the Energy Department said Wednesday it will renegotiate \$40 billion worth of contracts with companies running nuclear weapons plants and government laboratories.

Many of the larger contracts, including \$14.9 billion worth of business with Westinghouse Corp., at weapons sites in Washington state and South Carolina, will be opened for competitive bids as they expire over the next two years, officials said.

Such contracts rarely have been opened to competitors if incumbent contractors wanted to remain at a site, officials said.

In all, \$27 billion worth of business will be opened for competition at the department, mostly as five-year management agreements for weapons facilities. Another \$13.5 billion worth of contracts will be renegotiated to make them more favorable to the government, the department said.

The overhaul in contracting policy, which has been in the planning for months, is the latest in a string of attempts in recent years by the department to get greater control over contractor spending.

A majority of the department's \$18.5 billion annual budget goes to private contractors, usually to run sites in more than a dozen states where the government for decades produced nuclear warheads. Much of the work now is to contain and clean up the radioactive wastes left over from years of warhead production.

The department cited statistics that over the last 25 years, only eight contracts had been opened to competitors against the incumbent contractors' wishes. In two of those cases the incumbent held the contract, even when its work was considered troublesome.

As a result, government control over contractors has suffered, said Deputy Energy Secretary Bill White. "If you're used to getting ... (a contract) for 40 years ever since the Manhattan Project you start thinking it's yours," added White.

Energy Secretary Hazel O'Leary said the new contracts will represent "a significant change in the way the Energy Department does business ... by opening the door and inviting in competition."

The department also increasingly will seek contracts pegged to performance and in many cases will demand fixed contracts instead of the type where a company automatically is paid its costs plus a profit, officials said.

The Energy Department since the start of the Cold War has relied heavily on cost-plus contracts because companies often were involved in unchartered scientific research and development with no clear advance estimate of cost.

Many of the current contracts involving radioactive cleanup at weapons sites will still be on a cost-plus basis because in many cases they will involve highly technical procedures and untested cleanup methods, officials said.

But the department estimates about a fourth of the money paid to contractors under management contracts goes for routine work such as providing security, clerical staff, maintenance and other overhead and should be pegged to fixed-cost contracts.

Thomas Grumbly, who heads the department's environmental cleanup effort, said he expects a saving of at least 20 percent as a result of increased competition when contracts are put out for bid.

Government finds Alaska oil exports would benefit U.S.

Houston Chronicle News Services

WASHINGTON — Lifting the ban on exporting oil from Alaska's North Slope would create thousands of jobs without significantly hurting the environment or raising gasoline prices, the Energy Department said Thursday.

The department released a cost-benefit analysis that forecast gains for the economy and the U.S. oil industry if the longtime prohibition were lifted.

"The study concludes that the export of Alaskan oil would yield clear economic and energy benefits to the country," Energy Secretary Hazel O'Leary said in a statement. "In both California and Alaska, it would create new jobs, stimulate onshore production and increase state revenues."

The 124-page report came a week after President Clinton met with lawmakers from oil- and gas-producing states and voiced willingness to consider lifting the ban. The administration will now weigh these benefits against impacts on U.S. and international trade and maritime concerns, the Energy Department said.

When Congress authorized creation of the trans-Alaska pipeline in the 1970s, it required the oil be sold only in the United States. But some North Slope producers, especially British Petroleum Co., and some independent producers in California, have been pressing to end the export ban. The California producers hope the exports would divert Alaska oil from their state and boost their sagging industry.

An end to the ban, which would require congressional action, would probably prompt opposition from environmentalists, the U.S. maritime industry and consumer advo-

cates, who maintain it would increase West Coast gasoline prices.

The report found that lifting the ban would create 11,000 to 16,000 new jobs by 1995 in the petroleum industry and state government. By the end of the decade, exporting North Slope crude could generate up to 23,000 jobs, the report found.

The study also estimates that increased production and improving conditions for West Coast oil producers would boost federal and state tax revenues by hundreds of millions of dollars.

Based on a limited review of environmental impact statements, the Energy Department report found no significant negative effects from lifting the ban.

But environmentalists say allowing exports would speed depletion of North Slope reserves and increase pressure to drill in the Arctic National Wildlife Refuge. Oil companies have argued for years that the Arctic refuge, which also is in the northern reaches of the state, should be opened to drilling because of declining North Slope reserves.

Deputy Energy Secretary Bill White repeated the Clinton administration's commitment not to develop the refuge, or other environmentally sensitive areas of the Outer Continental Shelf.

And he said exporting Alaskan North Slope crude would decrease tanker traffic in U.S. waters and require no modification of the Trans-Alaskan Pipeline System.

The maritime industry and its unions have fought past attempts in Congress to lift the ban. They argue that shippers would use foreign tankers to transport oil across the Pacific, rather than the smaller U.S. vessels that haul oil along the West Coast, through the Panama Canal to Gulf Coast refineries.

SAN FRANCISCO CHRONICLE JUL 01 1994

Energy Report Favors Exporting Alaskan Oil

By Jeff Pellino
Chronicle Staff Writer

Lifting the ban on exporting Alaskan oil will create thousands of jobs in California and boost crude prices with a minimal — if any — increase in gasoline prices, a U.S. Department of Energy report concluded yesterday.

The study sets the stage for contentious hearings in Congress this summer on whether to lift the two-decade ban. Independent oil producers say the ban has hurt the California economy by gutting the state with crude that otherwise

would go to Asia, thereby depressing prices. But refiners, such as Tosco of Concord, counter that any economic benefits are exaggerated.

Tosco has the support of many Northern California congressmen, but the Clinton administration largely sided with producers. "The study concludes that the export of Alaskan oil would yield clear economic and energy benefits," Energy Secretary Hazel O'Leary said. "In California and Alaska it would create jobs, stimulate production and increase state revenue."

By 1995, the net increase in U.S.

employment would be 11,000 to 16,000 jobs, according to the report. By the end of the decade, exporting Alaskan crude could create up to 25,000 jobs.

The 126-page analysis estimated that incremental production in Alaska and California could be as high as 110,000 barrels per day by the end of the decade. The state's returns from royalties and taxes would be \$180 million to \$230 million through the year 2000. Competition will help keep gasoline prices down even if oil prices increase, the report said.

The Independent Petroleum

Producers Association, BP America (a giant Alaskan crude producer) and the Seafarers International Union (whose members work on U.S.-bound oil tankers) all supported the report. A spokesman for Tosco said the company disputed the findings.

BURRELLE'S

NEWS EXPRESS

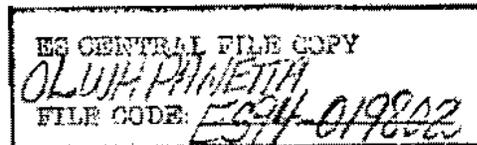
PAGE 5 OF 5



The Secretary of Energy

Washington, DC 20585

OLWA PANETTA
ES 94-019802



July 14, 1994

MEMORANDUM FOR LEON PANETTA
FROM: HAZEL R. O'LEARY
SUBJECT: Weekly Report

PRESIDENTIAL INITIATIVES

• Energy for Sustainable Development Mission to India

The purpose of the mission that I led this week to India was to honor the commitment that the President made in May to Prime Minister Rao to initiate productive government-to-government and commercial partnerships with India. Extraordinary progress was made during this week's mission in the areas of establishing government-to-government relationships, job creation, competitiveness, sustainable development, and environmental protection. Our delegation included government officials, leaders in the environmental technology and energy fields, and representatives of non-governmental organizations. This interim report will be followed up with a detailed trip report for the President upon my return.

Eleven new private sector ventures were concluded during the visit. Examples include an agreement between Solec International of California and Pentafour Solec Technology Limited of India. The purpose of this agreement is to introduce low-cost photovoltaic technology to South India. This agreement will create 150 new jobs in California and provide non-polluting power resources to India. Another agreement involved Spectrum Technologies, USA, Elgin National Industries, Spectrum Washeries, India and Jaya Foods to apply advanced U.S. coal washing technologies to India's high-ash-coals. This \$240 million agreement targets the \$1 billion coal washing market in India. Siemens is completing another agreement to provide solar lanterns for rural electrification in India that will create over 850 jobs in the near term in California. All of these private sector agreements achieve the Administration's economic, energy, and environmental goals.

During my meeting with Prime Minister Rao, we agreed to the formation of a U.S.-Indian sub-commission on sustainable energy development. An Indian delegation will likely visit the U.S. in six months to continue the partnerships forged by the President, myself, and this delegation.

I also signed a Statement of Intent on Renewable Energy Technology with Minister of State for Non-Conventional Energy Sources Kumar. This agreement will

accelerate negotiations underway between India and Entech on a leasing fee agreement on the import of photovoltaic technology. Entech, a Texas firm, is the world's largest manufacturer of photovoltaic concentrators. Successful completion of this agreement will create approximately 880 jobs in the State of Texas.

Other major governmental agreements included a Memorandum of Understanding for Bilateral Energy Consultation, a Statement of Intent on Clean Coal Technology, a Statement of Intent on Energy Efficiency and Environmental Protection at the Tata Energy Research Institute, a partnership between the Indian Solar Energy Center and the U.S. National Renewable Energy Laboratory, and a Feasibility Study of Integrated Coal Gassification and Combined-Cycle Power Generation in Gujarat, India.

During the mission I met with a number of Indian industrial leaders and governmental officials including Prime Minister Rao, Minister of Finance Singh, Minister of Power Salve, Minister of State for Non-Conventional Energy Sources Kumar, Minister of State for Environment and Forests Nath, Minister of State for Coal Panja and Minister of State for Petroleum and Natural Gas Sharma.

Health Care

Next week I will conduct several editorial board briefings on the President's Health Care Reform Initiative.

Presidential Response to Members of Congress on Energy Issues

The response letter to the Members of Congress who attended the meeting with the President on energy policy issues was received by most congressional offices late last week. This response was not enthusiastically received due to conditions imposed on supporting various initiatives benefiting the industry, the regional economy, and energy production. However, the response has not been heavily criticized by members of either party.

Mobilizing the Business Community to Support the GATT Agreement

The Department is in the process of mobilizing energy companies in support of the GATT. As a first step and at the request of Administration officials coordinating our effort, we have asked several prominent Chief Executive Officers to work with the leadership in the business community to coordinate business lobbying activities. Response to this request has been enthusiastic. The status of these commitments has been communicated to the Administration officials coordinating the GATT effort.

We are also in the process of mobilizing a broader coalition of energy interests through trade association leadership. Specifically, the electric power and natural gas industries have pledged support for the Administration's effort to pass GATT implementing legislation. Member companies of these industry associations will be

requested by the association to build support for the GATT through congressional meetings. These companies have the ability to reach hundreds of Members of Congress and the public. The energy sector was effective in assisting the Administration during the NAFTA debate, and we believe that they will be helpful again on this issue. We are in the process of developing events with the energy community that will increase the visibility of the issue.

President's Council on Sustainable Development

I will attend a meeting of the President's Council on Sustainable Development next Thursday and Friday in Chicago. I will present the preliminary results of the *Scenarios Project* conducted by the Energy and Transportation Task Force that I co-chair. The project will establish several alternatives based on various economic and environmental scenarios over the next 30 years and the energy implications of various futures. Once established, these scenarios will be used to evaluate the benefits of alternative energy policies in order to gauge how these benefits would be realized under a broad range of energy futures. Once reviewed by the full Council, the Task Force will complete the scenarios development and attempt to obtain consensus on the most effective policies. The results of this analysis will be used in the development of the National Energy Policy Plan. This plan will be submitted by the President to the Congress in early 1995.

KEY DEPARTMENT NEWS

Controversy Associated with Allowing Foreign Firms to Compete in Department of Energy Programs

The Energy Policy Act of 1992 includes a provision that establishes criteria by which firms can compete in Department of Energy research and development programs. The provision states that any firm participating in a program must meet employment, manufacturing and investment criteria, and the country in which the firm is incorporated must provide U.S. firms with similar opportunities.

This provision is controversial now because we have decided to allow a large foreign owned firm to compete in an eight-year \$700 million gas turbine program. Several prominent Members of Congress have opposed allowing this firm to compete in this program. In our judgement, the firm easily meets all of the statutory criteria for participation, and we have imposed further stringent criteria on the firm in order to participate in the program. Given the implications of this decision on trade policy and other Administration legislative priorities, we held two meetings coordinated by the National Economic Council and the Council of Economic Advisors with affected agencies. All affected agencies supported this decision believing it to be fully consistent with Administration policy and the language in the letter I have sent to all interested Members of Congress today announcing the Department's decision. Another reason that this decision had to be made was that this delay has held up hundreds of millions of dollars of procurements.

Upcoming Floor Debate on the Integral Fast Reactor

The Energy and Water Appropriations bill will likely be in conference next week. There are two issues that will generate controversy. The first is the decision over whether to terminate the Integral Fast Reactor (IFR). We terminated this project for fiscal reasons and for its inconsistency with the Administration's non-proliferation policy. The Senate bill includes funding for continued research while the House bill calls for its termination. There were 272 votes in opposition to the project last year. Representative Sharp (D-IN) is likely to seek a motion to instruct the House Conferees to oppose any attempt to include funds for the program in the conference report. We are also supporting alternative missions that we have developed for the laboratories in Illinois and Idaho performing the current research in order to maintain the work force and technical capabilities of these sites.

The other potentially controversial matter is language that would provide the Department with the authority to utilize funds appropriated by the Congress to fund a project at the site of the Superconducting Super Collider. This contribution to the project would be a one-time grant and the Department would not maintain any presence at the site in 1994 to terminate the SSC. The language that is likely to allow for a settlement between the State and the Department to resolve all outstanding claims resulting from the termination of the SSC. We have informed interested Members of Congress of this provision. When the settlement agreement has been finalized, we will brief the Members who were strong opponents of the SSC program.

OUTREACH

- Congress

Because of my visit to India this week, I did not conduct any meetings with Members of Congress.

More dirty little atomic secrets

Energy Secretary Hazel R. O'Leary, to her credit, displayed skeletons from America's closet of atomic secrets last week. Examples of the unconscionable activities that went on in the name of national security:

- Radiation experiments on 1,200 people were conducted without their consent, which is unethical if not illegal. Although the experiments involved only trace amounts of radioactive isotopes, they were of no therapeutic benefit to the participants, who included pregnant women.

- Leaks of undetermined amounts of radiation occurred in 70 of the 828 underground atomic explosions at the Nevada Test Site. None of the people living in the area were ever told of the dangers they were exposed to.

- More than 80 secret tests were conducted at the site between 1963 and 1992. They were never detected because they were set off simultaneously with announced blasts.

Other disclosures by Mrs. O'Leary indicate mismanagement if not worse. More than 6,000 pounds of plutonium and 2,900 pounds of highly

^{pe 18} enriched uranium are unaccounted for in the Energy Department's inventory. The material is probably plastered to piping and other equipment in the plants where it was refined, according to the department. But that's not a very reassuring answer.

Mrs. O'Leary also confirmed that plutonium of the grade found in civilian nuclear reactors was used in an American nuclear bomb tested in 1962. This disclosure shows how crucial it is for international agencies to monitor all nuclear-power plants.

North Korea obviously is not the first nation to extract weapons-grade plutonium from nuclear-power plants. The stockpile of this material is mounting in the United States, Japan, Russia, France, England and India.

The Clinton administration should be commended for declassifying atomic secrets. Many of the actions justified in the name of the Cold War — especially the radiation experiments on humans — are inexcusable and must never occur again.

1082

(All but last 2 of 5 of
this piece from in
7/7 Boston Globe, p. 25)

PHILADELPHIA INQUIRER

JUL 07 1991

Energy Dept. to renegotiate contracts

In the past, incumbent contractors were favored at weapons plants and labs.

PA5 ASSOCIATED PRESS

WASHINGTON — Contradicting that contractors often get a blank check, the Energy Department said yesterday that it would renegotiate \$40 billion worth of contracts with companies running nuclear weapons plants and government laboratories.

Many of the larger contracts — including \$1.5 billion worth of business with Westinghouse Corp. at weapons sites in Washington state and South Carolina — will be reopened for competitive bids as they expire over the next two years, officials said.

Such contractors have rarely been opened to competitors if incumbent contractors wanted to remain at a site, officials said.

In all, \$27 billion worth of business will be opened for competition at the department, mostly as five-year master agreement agreements for weapons facilities. An additional \$13 billion worth of contracts will be renegotiated to make them more favorable to the government, the department said.

The overhaul in contracting policy, which has been in the planning for months, is the latest in a string of attempts in recent years by the department to get greater control over contractor spending.

A majority of the department's \$11.5 billion annual budget goes to private contractors, usually in raw form in more than a dozen states where the government for decades produced nuclear warheads. Much of the work now is to contain and clean up radioactive wastes left over from years of weapons production.

The department cited statistics that over the last 25 years, only eight contracts had been opened to competitors against the incumbent contractor's wishes. In two of those cases, the incumbent held the contract even when its work was considered troublesome.

As a result, government control over contractor has suffered, said **Donaur Kacer**, Secretary **Bill White**.

Secretary **White** said the new contract would represent "a significant change in the way the Energy Department does business... by opening the door and inviting in competition."

The department also will increasingly seek contractors pledged to performance and to many cases will demand fixed contracts instead of the type where a company automatically is paid its costs plus a profit, officials said.

It will be "a significant change in the way the Energy Department does business."

Since the start of the Cold War, the Energy Department has relied heavily on cost-plus contracts because competitors often were involved in unchartered scientific research and development with no clear advance estimate of cost. Many of the current contracts involving radioactive cleanup at weapons sites will still be on a cost-plus basis, because in many cases they will involve highly technical procedures and patented cleanup methods, officials said.

But the department estimates a fourth of the money paid to contractors under management contracts goes for reviewing work such as providing security, clerical staff, maintenance and other overhead, and should be pegged to fixed-cost contracts.

Thomson Grumman, who heads the department's **Environmental Cleanup** division, said he expected a saving of at least 20 percent as a result of increased competition when contracts are put out for bid. (EWD)

Lockheed after **Lockheed Corp.** offered to drop the price of its F-16 fighter plane yesterday, underestimating a new posture by defense contractors trying to survive amid dwindling Pentagon orders.

Lockheed says its proposal follows big similar offers by rival firms, breaks the defense contracting myth that prices must rise as competition falls.

In a Washington news conference, the company announced that its plant in Fort Worth, Texas, could build 12 to 24 F-16 fighters a year starting in 1997 for \$20 million per plane.

The announcement comes six weeks after **Lockheed** rival **McDonnell Douglas Corp.** proposed building up to 36 Air Force F-15Es for \$20 million each. And **Northrop Grumman Corp.** had proposed to build an additional 20 B-2 stealth bombers at its Los Angeles-area plant for \$12 billion, or \$600 million each.

The question of how much the new **Lockheed** offer would save is open to debate. While **Lockheed** says its "firm-fixed" price of \$20 million represents a \$3 million savings, the Air Force says the "fly-away" price of an F-16 already is \$20 million.

Northrop Grumman is encountering similar competition. Defense Week, a defense-oriented newspaper, reported that when special bargains develop, great and design are counted, the cost of a new B-2 would jump from \$600 million to \$830 million per plane.

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Energy Officials Plan \$31 Billion in Contracts

By MELISSA HEALY
TIMES STAFF WRITER

D2

WASHINGTON—The Energy Department Wednesday announced plans to open bidding on contracts worth \$31 billion over the next five years to operate its laboratories, storage centers and production facilities.

Energy Secretary Hazel O'Leary said that injecting competition into the lucrative business of managing the department's facilities will "open the doors" of those sites and save billions of dollars. It also will forge a new relationship between the government and its nuclear contractors.

One Energy Department official said that the reforms should reduce the annual costs of running the department's production and research network by at least \$2.5 billion. But Assistant Energy Secretary Thomas Grumbly noted that the savings will not go to taxpayers. Instead, he said, the money will be used in the \$160-billion cleanup of the nation's contaminated Cold War weapons facilities.

Wednesday's announcement was the first time that the Energy Department has declared that three of its largest and most complex sites—Savannah River, S.C., Hanford, Wash., and a test site in the Nevada Desert—will be opened to competition. Contracts for those three sites are worth \$17.5 billion over five years and likely will lead to competition throughout the department's sprawling production and research complex.

The Energy Department also said that it will seek to renegotiate existing contracts worth some \$13.5 billion to encourage efficiency.

The department already had announced that it was accepting bids for \$8.4 billion in management contracts for its Rocky Flats nuclear weapons production site in Colorado and its Idaho National Engineering Laboratory. In total, including those two sites, the department will put \$40 billion worth of contracts on the block over five years.

That figure tops the value of contracts that the Energy Department has opened up for competition over the last 25 years. Only seven times since 1969 has the department forced an existing contractor at one of its facilities to compete with others for the right to continue its management.

1 of 5

MONDAY, JULY 18, 1994

SCHEDULE FOR HAZEL R. O'LEARY

1:00 PM

Appointment

Notes:

HOLD - Personal

TUESDAY, JULY 19, 1994

SCHEDULE FOR HAZEL R. O'LEARY

7:30 AM DEPART RESIDENCE FOR DOE
Met by Reggie Sellers

8:30 AM - 9:30 AM Schedule C Breakfast
(Mark Doyle)

9:45 AM - 10:15 AM Photo-Shoot for
Washington Business Journal
Joann Lawton, Photographer
(Audrey Hoffer)

10:30 AM - 2:00 PM HOLD

12:30 PM - 1:30 PM Lunch

2:30 PM - 3:30 PM Presidential Rank Awards
Secretary's Conference Room
(Claudia Cross)

3:30 PM - 6:00 PM HOLD

WEDNESDAY, JULY 20, 1994

SCHEDULE FOR HAZEL R. O'LEARY

7:30 AM DEPART RESIDENCE FOR DOE
Met by Reggie Sellers

8:00 AM - 8:30 AM HOLD

8:30 AM - 9:00 AM Daily Briefing
(Rich Rosenzweig, Dan Reicher, Jim Solit,
Mike Gauldin, Johannah Dottori, Beth Arner,
Carolyn Wallace)

9:00 AM - 11:00 AM HOLD

11:00 AM - 11:30 AM John Layton

11:30 AM - 12:30 PM HOLD

12:30 PM - 1:30 PM Lunch- Kimberly Graham, Lawanna Clark,
Barbara Semedo

2:00 PM - 3:00 PM Prebrief - National Defense Board
Meeting
(Charlie Curtis, Tara O'Toole, Marc Whitaker,
Vic Reis, Tom Grumbly, Don Pearman,
Arch Durham)

3:00 PM - 5:00 PM HOLD

5:15 PM DEPART DOE FOR WASHINGTON NATIONAL AIRPORT
Met by Reggie Sellers

6:00 PM Depart for Travel - Chicago, IL

THURSDAY, JULY 21, 1994

SCHEDULE FOR HAZEL R. O'LEARY

9:00 AM - 5:00 PM HOLD: President's Council on
Sustainable Development
Chicago, IL

Notes:

Travel - Chicago, IL
TBD - Argonne Off-Site Meeting
(Toni Joseph)

FRIDAY, JULY 22, 1994

SCHEDULE FOR HAZEL R. O'LEARY

9:00 AM - 5:00 PM HOLD: President's Council on
Sustainable Development
Chicago, IL

Notes:

Travel - Chicago, IL
TBD - Argonne Off-Site Meeting
(Toni Joseph)

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Department of Energy
Washington, DC 20585

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Date: 7/14/94
To: Christine Kasray
From: Sec. O'Leary

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Notes:



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The Secretary of Energy
Washington, DC 20585

July 21, 1994

MEMORANDUM FOR LEON PANETTA

FROM: HAZEL R. O'LEARY

SUBJECT: Weekly Report

PRESIDENTIAL INITIATIVES

Economic Benefits of the Sustainable Development Mission to India

I led a mission to India July 7-15, 1994. The objective of the mission was to initiate a new era of Government-to-Government and commercial relationships between the United States and India. The mission achieved our objectives of improving governmental ties while creating U.S. jobs, and advancing environmental goals through the export and application of environmental technologies.

This mission was extremely successful in generating commercial benefits for U.S. firms. Eleven business agreements valued at over \$3 billion were signed during this mission. It is estimated that these agreements will create an estimated 26,000 jobs in the United States. States that will particularly benefit from this job creation are California and Colorado. These jobs result from the export of renewable energy technologies and other technologies such as clean coal processing. I believe that this mission will facilitate a successful mission by Secretary Brown in October.

Health Care

Yesterday, I conducted editorial board briefings with the Wheeling News Register, West Virginia; the Cincinnati Post and the Harrisburg Gazette, Pennsylvania to advocate the President's health care reform initiative. The most frequently asked questions related to the President's comments on universal health care made at the National Governor's Association Meeting, and the Administration's position on the inclusion of abortion in health care legislation. Today while in Chicago, I conducted an interview with WVON Radio. This station has the largest minority audience in the State. Next week I will be conducting interviews with several additional editorial boards.

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We have been in contact with White House staff regarding my desire to participate in the upcoming bus tour to promote our Administration's health care initiative. I will be joining the tour in Jersey City and traveling to Philadelphia.

President's Council on Sustainable Development

Today and tomorrow, I will be attending a meeting of the President's Council on Sustainable Development in Chicago. I will present the preliminary results of the *Scenarios Project* conducted by the Energy and Transportation Task Force that I co-chair. The project will establish several economic and environmental scenarios over the next 30 years and the energy implications of various futures. Once established, these scenarios will be used to evaluate the benefits of alternative energy policies in order to gauge how these benefits would be realized under a broad range of energy futures. Once reviewed by the full Council, the Task Force will complete the scenarios development and attempt to obtain consensus on the most effective policies. The results of this analysis will be used in the development of the National Energy Policy Plan. This plan will be submitted by the President to the Congress in early 1995. The plan represents the first time that sustainable development will be a major theme of U.S. energy policy.

KEY DEPARTMENT NEWS

Settlement of the Superconducting Super Collider (SSC)

It appears that the Department and the State of Texas have resolved all issues resulting from the termination of the SSC and the parties are close to settling all claims. The Department will provide the State with a modest cash settlement and a one-time grant to complete a project at the SSC site. The settlement is contingent upon the inclusion of language in the Fiscal Year 1995 Energy and Water Appropriations Bill which provides the Department with the legal authority to utilize funds appropriated by the Congress for orderly termination of the SSC to complete a project at the SSC. The Senate bill includes the language, the House bill does not. The House committee will recede to the Senate in conference. We will be communicating the terms of the settlement to potential opponents of such a settlement within the very near future. We will request assistance from the White House on this matter shortly to gain the support of some influential Members of Congress.

We have been working with the State to develop a public affairs and legislative strategy to ensure that the terms of the settlement are well understood by Congress and the public. The Administration's message will focus on the adverse impacts of termination of the SSC and the need to educate the public and the Congress of the importance of investments in science and technology. We will also stress the

importance of completing the project at the site for medical research purposes. We are coordinating this strategy with the appropriate White House offices.

Negative Story on the Department's Commitment to its National Security Mission

A story appeared in the Los Angeles Times Tuesday that questioned the Department's commitment to fulfilling its national security missions. This issue increased in visibility due to a leak to the press of a classified letter expressing the Department of Defense concerns regarding our efforts in this area. The issue described in the article is whether the Department's national security mission, particularly the stewardship of the nuclear stockpile, can be responsibly discharged given the budget cuts over the last few fiscal years in our national security programs. The Administration has proposed a 33 percent budget reduction in the Department's national security programs over the past two fiscal years. These cuts are on top of reductions already made in previous years.

The Congress is also questioning the Department and the Administration's commitment to responsibly discharge its national security obligations. The Senate Armed Services Committee recently attempted to transfer our tritium production responsibilities to the Department of Defense in the Fiscal Year 1995 Defense Authorization Bill. These provisions were eventually struck from the bill on the Senate floor.

The Department and the Administration have significant issues to consider in developing the fiscal year 1996 budget. These include our commitment to develop a new tritium source by 2009, to support the weapons stockpile, to ensure the maintenance of an adequate budget, to ensure the technical capabilities of the National Laboratories, and to develop scientific proxies for nuclear testing.

The large budget reductions that the Department's national security programs have experienced over the last few years have raised questions over the Department and the Administration's commitment to our national security missions. The Department received the second largest budget reduction in the Government last year. Additionally, the cut was much larger than it appeared as we utilized \$800 million in uncosted obligations of previously appropriated monies to fund areas where there were budgetary deficiencies. At the same time our national security responsibilities have increased because of the Presidential Decision Directive to maintain our ability to test nuclear weapons while developing scientific proxies for testing. The development of such proxies is extremely costly. The fiscal year 1996 budget will be tight. However, if we do not receive an adequate budget allocation (and the current target is *not* sufficient), we will have to make significant tradeoffs between such Administration initiatives as climate change, clean car, and our national security obligations. We will be working with Alice Rivlin and all White House offices to ensure that our budget request is adequate to achieve our national security, energy, scientific, and cleanup objectives for the coming years.

Status of Alaskan Oil Export Ban Issue

On July 16 the President committed to approximately 60 Members of Congress to attempt to develop solutions to important international trade issues in order to realize the energy and economic benefits of lifting the ban on the export of Alaskan crude oil. It has been suggested that lifting the ban while requiring carriage of the oil (expansion of Jones Act) on U.S. built ships might initiate a GATT challenge and be contrary to the position that we have recently taken in the OECD ship-building negotiations. This is the agreement that was reached among the producers, shippers, and the maritime labor unions to lift the ban.

The Department has attempted to develop an approach that would allow for exemption from the ban dependent upon specific findings. These findings would presumably be the completion of satisfactory contractual agreements among labor, shippers, and producers. The parties have encouraged us to move forward on this approach. However, the United States Trade Representative's office is uncomfortable that we would essentially be encouraging an expansion of the Jones Act, which is contrary to our recent positions in international trade negotiations. There will be an NEC principals meeting on this approach on Friday. An Administration position is being developed quickly due to the need to reauthorize the Export Administration Act in the very near future. The ban is currently included in the Act.

The Department will probably advocate moving forward unless convinced that the risks to our international trade posture are too serious. This is because there are few initiatives that can create significant jobs in California, increase domestic energy production, and State revenues without adversely affecting the environment.

OUTREACH

Office of Management and Budget Acting Director Rivlin

Next Wednesday, I will meet with the Office of Management and Budget Director Designate Alice Rivlin to discuss major budget issues facing the Department.

Chief Executive Officer of Amoco

Next Wednesday, I will meet with Larry Fuller, the Chief Executive Officer of Amoco, to discuss environmental issues confronting the industry. I will solicit his support of Environmental Protection Agency's effort to determine if the refining industry can be re-regulated. The Department was instrumental in bringing the industry to the table to support this effort.

Democratic National Committee Chairman Wilhelm

Next Friday, I will meet with Democratic National Committee Chairman David Wilhelm to discuss upcoming travel and determine how I can provide support to Democratic candidates around the country.

Congress

- Tuesday, I will meet with Congressman Jay Inslee (D-WA) to discuss the Department's cleanup efforts at the Hanford Site, formerly the Department's largest weapons production facility and now our largest environmental cleanup project.
- Tuesday, I will meet with Senator Nunn to discuss the Administration's commitment to ensuring the safety and reliability of the nuclear weapons stockpile.

MEDIA

Round Table with Press on India Trip

Yesterday, I held a reporters' round table briefing on the accomplishments of our mission to India with Washington, D.C. reporters from over fifteen Indian and U.S. newspapers. Among the U.S. press that attended were the Associated Press, Reuters, and the Wall Street Journal.

Los Angeles Times Interview

I will conduct an interview this week with the Los Angeles Times reporter who wrote the article criticizing the Department's efforts to consolidate the nuclear weapons complex over the last 18 months. The article alleged that some in the defense community do not believe that we are committed to maintaining the stockpile. In the interview, I will highlight the Administration's commitment to maintaining the safety and reliability of the nuclear stockpile, and the capability to test while developing scientific alternatives to testing.

Washington Post Interview

I was interviewed by Tom Lippman of the Washington Post to discuss the Department and the Administration's commitment to our national security responsibilities.

MONDAY, JULY 25, 1994

SCHEDULE FOR HAZEL R. O'LEARY

7:30 AM DEPART RESIDENCE FOR DOE
Met by Reggie Sellers

8:00 AM - 8:30 AM HOLD

8:30 AM - 9:00 AM Daily Briefing
(Rich Rosenzweig, Dan Reicher, Jim Solit,
Mike Gauldin, Johannah Dottori, Beth Arner,
Carolyn Wallace)

9:00 AM - 9:30 AM Editorial Board Press Calls
(Barbara Semedo, Mark Doyle)

10:00 AM - 12:00 PM Senior Staff Meeting

12:30 PM - 1:30 PM Lunch

1:45 PM - 2:15 PM Joel Klein
Secretary's Office

2:30 PM - 3:00 PM Contract Reform
(Bill White, Don Pearman, John Scango,
Dan Reicher)

3:30 PM - 4:00 PM Theodore Kronmiller and
Senator Tony DeBrum of the Marshall Islands
(Dan Reicher)

4:30 PM - 5:00 PM Planning Session
(Rich Rosenzweig, Dan Reicher, Dirk Forrister,
Mike Gauldin, Johannah Dottori, Jana Prewitt)

5:15 PM - 6:15 PM Appointment

6:20 PM - 7:00 PM HOLD

7:00 PM DEPART DOE FOR RESIDENCE
Met by Reggie Sellers

TUESDAY, JULY 26, 1994

SCHEDULE FOR HAZEL R. O'LEARY

7:30 AM DEPART RESIDENCE FOR DOE
Met by Reggie Sellers

8:00 AM - 8:30 AM HOLD

8:30 AM - 9:00 AM Breakfast for India Trip Coordinators
Location TBD (Starts at 8:00 A.M.)
(Sue Tierney)

9:15 AM - 9:45 AM Congressman Jay Inslee
Secretary's Office
(William Taylor)

10:00 AM - 12:00 PM Don Pearman - Goals & Measures
Room 8E-089 Program Review Center
(Bill White, Charlie Curtis, Arch Durham,
Ann Lavin, Nancy Weidenfeller,
Mike Gauldin)

12:30 PM - 1:30 PM Lunch with Frank Askin
(Dan Reicher)

1:45 PM DEPART DOE FOR OMNI SHOREHAM HOTEL
Met by Reggie Sellers

2:00 PM - 2:30 PM Congressional Youth Leadership Council
Omni Shoreham - Paladium Room
2500 Calvert Street, N.W.
(Terry Cornwell-Rumsey)

2:45 PM DEPART OMNI SHOREHAM HOTEL FOR DOE
Met by Reggie Sellers

3:00 PM - 3:30 PM HOLD

3:45 PM - 4:45 PM Close Out

4:50 PM DEPART FOE FOR DIRKSEN SENATE OFFICE
BUILDING
Met by Reggie Sellers

WEDNESDAY, JULY 27, 1994

SCHEDULE FOR HAZEL R. O'LEARY

- 8:00 AM DEPART RESIDENCE FOR THE ANA WESTIN HOTEL
Met by Reggie Sellers
- 8:30 AM - 10:00 AM Speak at Meeting of the National
Petroleum Council Co-Chairs'
Coordinating Committee
ANA Westin Hotel
2401 M Street, N.W.
(Rich Rosenzweig, Dirk Forrister)
- 10:15 AM - 10:45 AM Larry Fuller, CEO of Amoco
Decatur Room
ANA Westin Hotel
(Rich Rosenzweig, Dirk Forrister)
- 11:00 AM DEPART THE WESTIN HOTEL FOR DOE
Met by Reggie Sellers
- 11:30 AM - 1:30 PM Policy Process Meeting
- 2:00 PM - 4:00 PM Jay Hakes - Goals and Measures
Room 8E-089
Program Review Center
(Bill White, Charlie Curtis, Arch
Durham, Ann Lavin, Nancy Widenfeller,
Mike Gauldin)
- 4:30 PM - 5:00 PM Alice Rivlin, Director of OMB
Secretary's Office
(Rich Rosenzweig)
- 5:15 PM - 6:15 PM Appointment
- 6:45 PM - 7:15 PM Close Out.
- 7:30 PM DEPART RESIDENCE FOR DOE
Met by Reggie Sellers

FRIDAY, JULY 29, 1994

SCHEDULE FOR HAZEL R. O'LEARY

7:30 AM DEPART RESIDENCE FOR GERMANTOWN
Met by Reggie Sellers

9:00 AM - 12:00 PM Visit Germantown DOE Office
(Tara O'Toole, Tom Grumbly, Vic Reis,
Betty Smedley)

12:00 PM DEPART GERMANTOWN DOE OFFICE FOR DOE
Met by Reggie Sellers

12:30 PM - 1:30 PM Lunch

2:00 PM - 3:30 PM Quarterly Meeting with
Defense Nuclear Facilities Board
John Conway
(Bill White, Charlie Curtis, Tara O'Toole,
Don Pearman)

3:45 PM - 4:15 PM CNN Interview
re: Clean Air Cab
(Barbara Semedo)

4:15 PM DEPART DOE FOR DEMOCRATIC NATIONAL COMMITTEE
OFFICE
Met by Reggie Sellers

4:30 PM - 5:30 PM David Wilhelm, Joe Velasquez and
Joan Baggett
Democratic National Committee
430 South Capitol Street
(Rich Rosenzweig)

5:40 PM DEPART DEMOCRATIC NATIONAL COMMITTEE OFFICE
FOR DOE
Met by Reggie Sellers

Soft Sell Wins Hearts And Deals in India

By N. VASUKI RAO

Journal of Commerce Staff

NEW DELHI, India — Hazel O'Leary came, met and conquered.

In contrast to the brisk and businesslike approach often adopted by visiting U.S. officials — former Trade Representative Carla Hills, for example — there was no take-it-or-leave-it attitude; none of the "we know what's best for you and we're always right."

Ms. O'Leary simply turned on her charm, smiling at everyone and exhibiting the patience needed to deal with issues in this difficult country. Her tone was gentle, her arguments persuasive, her logic correct.



O'LEARY

"We're bowled and stumped," said Power Minister N.K.P. Salve, using an analogy from the game of cricket he so passionately follows. Impossible to translate into baseball, the sense is of being knocked for a loop in the nicest way.

At the Indo-U.S. energy summit, Ms. O'Leary surprised government ministers and a packed hall of businessmen by coming down off the podium to make her address. She walked up to delegates and spoke to them directly.

She appropriately quoted the revered Mahatma Gandhi, a key ingredient to win Indian hearts. At the end, she received a standing ovation.

Ms. O'Leary said her weeklong visit to India will generate deals worth "hundreds of millions of dollars" for U.S. companies.

Specifically, the energy secretary

ANALYSIS

completed 11 private-sector ventures, including one involving Solec International of Hawthorn, Calif., and Pentafour Solec Technology Ltd. of India, which signed an agreement to introduce low-cost photovoltaic technology, creating jobs in both countries. Another deal involved Spectrum Technologies of the United States and three Indian companies to apply advanced U.S. coal-washing technologies to India's high-ash coal, aiming at a \$1 billion U.S. market.

Also, Indian officials committed themselves to accelerating approvals for a number of other energy deals.

For Ms. O'Leary, it was not just business. Her approach of talking with the lofty and the laborers apparently worked, impressing everyone.

She visited Wednesday with Prime Minister P.V. Narasimha Ra and held discussions with ministers who head the energy sector in India. Several government-to-government agreements were signed.

But the day before she took time off to visit the village of Dhanawas near Delhi, presenting residents with 50 U.S.-made solar lanterns as a commitment of America's interest in sustainable energy development.

Ms. O'Leary alighted from her car and put her hands together in "namaste," the Indian sign of greeting.

Braving humidity, heat and dust while many members of her delegation rushed back to the air-conditioned bus, she sat on the ground, cross-legged as Indian women do. "Come on, speak to me. Tell me about your problems," she urged local women.

"I have had an extraordinary day today (Wednesday)," she told the village women. "I have spoken with your prime minister on sustainable energy resources. But with due respect to him, I must say that nothing in my visit to Mother India has touched me as profoundly as the visit to this village."

She made a valiant attempt to speak two sentences in Hindi, the local language. Her accent meant the local women didn't understand she was thanking them, and when officials translated, they burst into laughter.

At a news conference, Ms. O'Leary asked a reporter to repeat the name of R. Chidambaram, chairman of India's atomic energy commission, so she could pronounce it correctly when meeting him.

After India and the United States signed several bilateral agreements, Mr. Salve told her: "Your visit has laid the ground for a sustainable partnership with the U.S. This visit will remain a golden chapter in the history of our relations."

O'Leary leads U.S. business delegation to India

Taj Mahal woes illustrate need for cleaner energy

By John-Thor Dahlburg
Los Angeles Times

AGRA, India — Swifts flitted about the minarets yesterday as the setting sun tinted the pale white marble of the world's most celebrated monument to eternal love, the Taj Mahal, a ruddy orange.

For people around the globe, the architectural wonder built three centuries ago by an emperor to house the tomb of his beloved is a poem in stone to love and loss.

Officials for the U.S. Department of Energy, however, saw another significance. "The Taj is a monument to the need for sustainable energy," one said.

This week, Energy Secretary Hazel O'Leary visited the Taj Mahal as she led what she called "the largest business delegation ever to leave Washington, D.C., and the first in the history of our nation to focus on sustainable development."

Its white marble surface man-

scod by high-level air pollution and the gritty industrial zones that have sprouted around it, the Taj, O'Leary said after a guided tour, now serves as a "canary in a coal mine."

O'Leary warning the world at large of its environmental problems.

As a result of weekend talks with Kamal Nath, India's environmental minister, O'Leary said India and the United States agreed to search together for cleaner energy sources that could be used in Agra, a city of more than 1 million people, as well as other possible jobs for its populace that would cut air pollution.

"If we think about what sustainable development means, then what better focus for the world, not just our two countries, than to wrestle with the issue of how we preserve this wonderful monument," O'Leary said as she sat on a bench in the Taj's quiet garden.

Her visit, the first by a cabinet member to India in years, was in-



O'Leary

tended to build on the momentum achieved by Prime Minister P.V. Narasimha Rao's May 18 talks at the White House with President Clinton.

The large business contingent was proof the Americans meant to "do deals," O'Leary assured her hosts upon arrival.

Yesterday, in New Delhi, 110 miles north of Agra, U.S. business representatives signed 11 new private-sector ventures with Indian partners involving energy projects as diverse as construction of a \$140 million, gas-fired 200 megawatt power plant in the southern state of Andhra Pradesh; use of sugar cane waste to generate electricity; transfer of U.S. coal-washing technology to treat high-ash Indian coal; and manufacture of low-cost solar batteries in Madras to power rural telephones and lanterns.

"It means jobs, and high-quality jobs, for workers in the United States and India, and in the long run, it also means an opportunity to suppress pollution throughout the world," O'Leary said after the signing ceremony of accords she predicted would be worth "hundreds of millions of dollars" in new business.

Pacts signed with US for 11 energy sector projects

By Our New Delhi Bureau
NEW DELHI 13 JULY

THE US energy secretary, Ms Hazel O'Leary, announced on Wednesday that 11 new private sector projects, covering coal, power and renewable energy sources, have been concluded during her visit.

Among the agreements concluded was one between Solec International of California and Penfour Solec Technology Ltd of India, who have signed a MoU to produce low-cost photovoltaic technology. Spectrum Technologies of the US Elgin National Industries, Spectrum Washeries and Sava Foods have signed a MoU to supply advanced US coal washing technologies.

A MoU was also signed by Cannon Co of California and the Eastar group to establish 25-mw wind farms. Ovenic Battery and Delhin Cables Ltd of India have agreed to jointly make batteries.

Ms O'Leary told a press conference here she had held wide-ranging discussions and she hoped that most of the issues would be sorted out. "The problems are nothing unusual and are common to most countries which have opened up." She also described her tour as a "great success".

Major government agreements included a MoU for bilateral energy consultation and statements of intent on renewable energy, clean coal technology, energy efficiency and environment-enhancing energy technology.

She also inaugurated the National centre for power plant efficiency and environmental protection at the NTPC, the Energy for Sustainable Development Centre at TERI, and a partnership between the Indian Solar Energy Centre and the US National Renewable Energy Laboratory.

The Prime Minister, Mr Narasimha Rao, and Ms O'Leary also agreed to the formation of an Indo-

US sub-commission on sustainable energy development. An Indian team is expected to visit the US in six months in this connection.

Speaking to newsmen, the power minister, Mr N K P Salve, said the government will be formalising the first counter-guarantee for Enron within a few days. The first few projects will be cleared as per the commitment of the government. For the other projects, the government will take a decision on a case-to-case basis.

The finance minister, Dr Manmohan Singh, in a meeting with Ms O'Leary, assured her that the issue of counter-guarantees by the government of India would receive full consideration as private investment in power generation is an important facet of its policy. Dr Singh also said that a new policy to provide fresh dynamism to the power sector was in the offing.

importance of completing the project at the site for medical research purposes. We are coordinating this strategy with the appropriate White House offices.

Negative Story on the Department's Commitment to its National Security Mission

A story appeared in the Los Angeles Times Tuesday that questioned the Department's commitment to fulfilling its national security missions. This issue increased in visibility due to a leak to the press of a classified letter expressing the Department of Defense concerns regarding our efforts in this area. The issue described in the article is whether the Department's national security mission, particularly the stewardship of the nuclear stockpile, can be responsibly discharged given the budget cuts over the last few fiscal years in our national security programs. The Administration has proposed a 33 percent budget reduction in the Department's national security programs over the past two fiscal years. These cuts are on top of reductions already made in previous years.

The Congress is also questioning the Department and the Administration's commitment to responsibly discharge its national security obligations. The Senate Armed Services Committee recently attempted to transfer our tritium production responsibilities to the Department of Defense in the Fiscal Year 1995 Defense Authorization Bill. These provisions were eventually struck from the bill on the Senate floor.

The Department and the Administration have significant issues to consider in developing the fiscal year 1996 budget. These include our commitment to develop a new tritium source by 2009, to support the weapons stockpile, to ensure the maintenance of an adequate budget, to ensure the technical capabilities of the National Laboratories, and developing scientific proxies for nuclear testing.

The large budget reductions that the Department's national security programs have experienced over the last few years have raised questions over the Department and the Administration's commitment to our national security missions. The Department received the second largest budget reduction in the Government last year. Additionally, the cut was much larger than it appeared as we utilized \$800 million in uncosted obligations of previously appropriated monies to fund areas where there were budgetary deficiencies. At the same time our national security responsibilities have increased because of the Presidential Decision Directive to maintain our ability to test nuclear weapons while developing scientific proxies for testing. The development of such proxies is extremely costly. The fiscal year 1996 budget will be tight. However, if we do not receive an adequate budget allocation (and the current target is *not* sufficient), we will have to make significant tradeoffs between such Administration initiatives as climate change, clean car, and our national security obligations. We will be working with Alice Rivlin and all White House offices to ensure that our budget request is adequate to achieve our national security, energy, scientific, and cleanup objectives for the coming years.

Democratic National Committee Chairman Wilhelm

Next Friday, I will meet with Democratic National Committee Chairman David Wilhelm to discuss upcoming travel and determine how I can provide support to Democratic candidates around the country.

Congress

- Tuesday, I will meet with Congressman Jay Inslee (D-WA) to discuss the Department's cleanup efforts at the Hanford Site, formerly the Department's largest weapons production facility and now our largest environmental cleanup project.
- Tuesday, I will meet with Senator Nunn to discuss the Administration's commitment to ensuring the safety and reliability of the nuclear weapons stockpile.

MEDIA

Round Table with Press on India Trip

Yesterday, I held a reporters' round table briefing on the accomplishments of our mission to India with Washington, D.C. reporters from over fifteen Indian and U.S. newspapers. Among the U.S. press that attended were the Associated Press, and Reuters news services, and the Wall Street Journal.

Los Angeles Times Interview

I will conduct an interview this week with the Los Angeles Times reporter who wrote the article criticizing the Department's efforts to consolidate the nuclear weapons complex over the last 18 months. The article alleged that some in the defense community do not believe that we are committed to maintaining the stockpile. In the interview, I will highlight the Administration's commitment to maintaining the safety and reliability of the nuclear stockpile, and the capability to test while developing scientific alternatives to testing.

Washington Post Interview

I was interviewed by Tom Lippman of the Washington Post to discuss the Department and the Administration's commitment to our national security responsibilities.



Department of Energy
Washington, DC 20585

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Date: 7/21/04
To: Robert Porter
From: Sec. O'Leary

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Transmittal consists of _____ pages, excluding this form.

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Notes:



The Secretary of Energy
Washington, DC 20585

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July 28, 1994

MEMORANDUM FOR LEON PANETTA

FROM: HAZEL R. O'LEARY

SUBJECT: Weekly Report

PRESIDENTIAL INITIATIVES

Health Care

This week I conducted editorial board briefings with the Louisville Courier-Journal and the Rocky Mountain News to advocate the President's health care reform initiative.

I will be joining the health care bus tour in Jersey City Monday and traveling to Philadelphia. I will be conducting regional media interviews in Jersey City and one-on-one interviews with local network affiliates in Philadelphia.

Lifting the Ban on the Export of Alaskan Crude Oil

In a meeting of the National Economic Council last Friday, a consensus was reached to provide exemptions from the ban on the export of Alaskan crude oil on U.S.-flagged ships upon the submission of an application by a producer. I believe that besides representing good economic and energy policy, this initiative sends a signal to energy producing States that the Administration intends to support energy policy initiatives. The Administration will also receive credit from editorial pages around the country as this ban has been in effect for 21 years and there has never been a credible effort to lift the ban. It is my understanding from discussions with Bob Rubin that a formal decision memorandum will be forwarded to the President in the near future. Based upon my discussions over the last several months on this issue, I feel obligated to communicate this decision to Senators Feinstein, Murray, and Boxer prior to its appearance in the media and will coordinate with White House legislative affairs.

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To alleviate the environmental community's concerns with lifting the ban, the Administration will state its continued opposition to exploration and development of the Arctic National Wildlife Refuge and waters offshore from California. We will also require an environmental assessment in the submission of the license for export to ensure that there are no environmental impacts from exporting the oil. We will develop an outreach plan to ensure the Administration receives the credit it deserves for this initiative in important States.

Public Meeting to Launch the Administration's National Energy Strategy

The Department is required to submit a National Energy Policy Plan every two years. The last plan was submitted after the Gulf War. We sought and received a two-year delay in submitting the strategy in 1993 so that the Administration could submit a plan consistent with its energy and environmental policy goals.

To initiate this effort, we will hold a public event at George Washington University Tuesday. One-half of the event will be dedicated to a town meeting with public participation and the other half will be a policy round table with prominent chief executive officers from the energy industry and leaders of non-governmental organizations participating. Representative Phil Sharp (D-IN) will moderate this round table. This strategy will encompass many of the Administration's energy, economic, and environmental themes. The strategy will be underpinned by sustainable development, the efforts of the National Laboratories to reduce the cost of sustainable energy technologies, and the need to deploy these technologies in the domestic and international marketplace in order to create high wage jobs. Following the George Washington University event, we will be holding approximately eight regional public forums over the next several months.

This strategy is ultimately submitted to the Congress by the President. As many key players in the Administration are engaging in several intensive interagency efforts, we will discuss our plans with the Office of Environmental Policy and the National Economic Council to determine the most efficient ways to ensure that agencies are actively involved in the development of the strategy.

KEY DEPARTMENT NEWS

Settlement Reached with Workers at Fernald

The Department has reached an out-of-court settlement in the class action suit that was filed in January 1990 on behalf of workers and former workers at the Department's Fernald nuclear weapons plant near Cincinnati. This plant processed plutonium for the production of nuclear weapons. The employees who filed the suit alleged that they had been exposed to excessive radiation while working for the National Lead Company of Ohio, the company that operated the plant for the Department between 1952 and 1985.

This settlement will provide lifetime medical monitoring and monetary compensation. The monitoring will be fully funded by the Government through the Department and will include an initial exam and annual follow-up examinations.

The payments will be based upon the years of service of the employees and not on any actual physical injuries suffered. Other criteria for payment will be determined by trustees of the fund who are selected by the Court. The settlement must be approved by the court that will set a date for a "fairness" hearing.

We believe that this settlement reasonably addresses the risks of a large judgment if the case had gone to trial, the inquiry claims of the plaintiffs, and the precedent for other pending cases. It also will avoid the substantial negative publicity of a trial.

Settlement of the Superconducting Super Collider (SSC)

The Department and the State of Texas initialed a term sheet last Thursday evening to settle all claims resulting from termination of the SSC. When this settlement is ultimately executed, the Department will provide Texas with \$145 million in cash and a one-time grant for completion of a linear accelerator at the SSC site to be used for a proton cancer treatment facility. Senior departmental staff have briefed the relevant appropriations subcommittee members and staff and past opponents of the SSC about the settlement. At this point in time, we believe the Congress will support the settlement.

Congress must take one further action to effectuate the settlement. The settlement is contingent upon the grant by the Department to the State of Texas to complete the linear accelerator. Legislative language is required to allow for this grant as it is not clear that the Department had the legal authority to expend already appropriated funds for this purpose. The necessary language is in the Senate bill and now must be enacted by the House. It appears that the House will have a separate vote on the language in the Senate bill rather than bring it inside the conference report. We have been working with the staff of the Vice President and Office of Management and Budget to ensure Congress' support of this language. We do not expect strong opposition. The settlement has been favorably received in the press in Texas.

Negative Story on the Department's Commitment to its National Security Mission

Monday, I conducted an interview with the Los Angeles Times reporter who wrote the article criticizing the Department's support of the nuclear weapons arsenal over the last 18 months. The article alleged that some in the defense community do not believe that we are committed to adequately supporting the stockpile. In the interview, I highlighted our commitment to maintaining the safety and reliability of

the nuclear arsenal including ensuring adequate budget support in fiscal year 1995 and fiscal year 1996.

We have also facilitated an interview by the Washington Post of Deputy Secretary of Defense John Deutch on the same subject. Our messages have been closely coordinated.

OUTREACH

Ambassador of Pakistan

Monday, I met with Maleeha Lodhi, Pakistan Ambassador to the United States. The purpose of the meeting was to discuss the timing and scope of my upcoming visit to Pakistan. This is an important trip given the Pakistanis' sensitivity to our visit to India. Our mission will focus on electric power reform and deployment of renewable and energy efficient technologies in Pakistan. There are great opportunities for U.S. firms in this market.

Ambassador of India

Wednesday, I will meet with Ambassador Ray of India to discuss the results of last month's mission and to plan upcoming reciprocal visits.

National Petroleum Council

Yesterday, I addressed the Co-Chairs Coordinating Committee meeting of the National Petroleum Council, an organization of 200 chief executive officers from the natural gas and oil industries. My remarks focused on the Administration's commitment to the strength and competitiveness of the industry. I communicated that this commitment has been demonstrated by the President's meeting with 20 members of the Senate and 52 members of the House and follow-up actions that include the Administration's support of lifting the ban on the export of Alaskan crude, incentives for deep water drilling in the Gulf of Mexico, and willingness to work with the industry and interested Members of Congress to develop revenue neutral tax proposals.

Democratic National Committee Chairman Wilhelm

Thursday, I will meet with Democratic National Committee Chairman David Wilhelm and Alexis Herman to discuss upcoming travel and determine how I can provide support to Democratic candidates around the country.

Texas Women's Political Caucus

Saturday, August 6, I will deliver the keynote address at the Texas Women's Political Caucus Convention in Dallas. This annual meeting will be attended by 250 people, 150 of which are delegates to the convention.

Congress

- Wednesday, I will meet with Senator Bob Graham (D-FL) to discuss the Department's national security missions.
- Wednesday, I will meet with Senator Nunn (D-GA) to discuss the Administration's commitment to ensuring the safety and reliability of the nuclear weapons stockpile while maintaining the capabilities of the defense laboratories to support national security.
- Wednesday, I will meet with Congressman Jon Kyl (R-AZ) to discuss the previously discussed issues.

These meetings are part of my efforts to communicate with the members of the Armed Services Committees of the Senate and the House on the Department's and the Administration's commitment to implementing our national security missions.

MEDIA

Interview with Russian Journalists

Tomorrow, I will meet with several Russian journalists who are visiting four of the Department's facilities in a tour sponsored by International Physicians for the Prevention of Nuclear War. I met with these journalists last fall in Moscow and this follow-up session will focus on the Department's Openness Initiative, nuclear transparency, radioactive waste cleanup, and the role of citizen organizations in nuclear issues.

CNN Interview on Clean Cabs

Tomorrow, I will conduct an interview for the CNN program, "Managing with Lou Dobbs." The interview will focus on the Washington, D.C.-based Clean Air Cab Company a company that has purchased a fleet of natural gas vehicles, and the role that the Department has played in their growth. This will allow me to highlight the Department and the Administration's commitment to facilitating the conversion of the Federal fleet to clean-burning alternative fuels and our efforts to leverage State and private investment to drive alternative fuel vehicles in the marketplace.

Amarillo Daily News

(Circ: 43,321) DAY Sat DATE 7 23 94 PAGE 1A

Russians take the tour of Pantex Plant *Russian journalists film delegation's visit for television program*

By DANNY M. BOYD
Globe-News Staff Writer

The first Russians toured the Pantex Plant Friday as further evidence of monumental changes in global relations that thawed the Cold War.

But the delegation of Russian journalists and physicians didn't get to see nuclear weapons disassembly areas and storage facilities up close, as they requested.

Three members of the International Physicians for the Prevention of Nuclear War for the Commonwealth of Independent States and two journalists joined American physician L.D. Egbert of Dallas on a tour of Pantex, the nation's final assembly and disassembly plant for nuclear warheads.

The Russians were the first citizens from their country to be allowed on the plant site, they said.

Russian journalists filmed the tour for a documentary on the nuclear weapons complex to be shown on Russian television.

The group tour was similar to those that the Department of Energy offers the public. The Russian citizens were not allowed to see disassembly operations up close or look inside storage facilities for plutonium. The Department of Energy cites security reasons for limiting tours.

But allowing citizens of the United States' former arch international rival into the weapons plant is proof that relations have warmed and information about nuclear weapons operations are becoming more public, one tour group member said.

"I think it's important that Rus-

sians were allowed to go into Pantex," said Vladimir Popov, a physician and vice president of the physicians' organization for the republics of the former Soviet Union.

The group plans to tour the Los Alamos National Laboratory in New Mexico today. The Russian visitors have toured the Savannah River Plant in South Carolina and plan to tour the Hanford Reservation in Washington State.

The international physicians' group opposes nuclear weapons and works to educate the public on the environmental and health ramifications of producing the bomb, group members said.

"Our ultimate goal is the abolition of nuclear weapons," said Taya Portnova, program director for the physicians group.

Although the tour was more restricted than the group preferred, the Russians hope to be able to see more in the years ahead in order to monitor nuclear weapons operations more closely so to better educate the public.

Information gathered from the tour of Pantex and other weapons plants will show Russians that they should not fear the United States, said Alexander Pestiyak, a producer for the Russian state television network.

Group members talked about more open nuclear weapons operations in Russia and the United States as signs that times have changed.

"Two years ago, we had bombs aimed at them," said Egbert, a member of the physicians' group from the United States. "We may not have (seen) the things we wanted, but the change is mind boggling."

Denver Post
7-25-94 3B

Flats leak sets off emergency center

By The Denver Post

A 1,000-gallon water leak in an office building at Rocky Flats late Saturday night activated the nuclear facility's emergency operations center.

But Rocky Flats' officials yesterday said tests of the water found no radioactivity "above background" levels already present in nature.

The leak was discovered about 11:19 p.m. in Building 221, which houses a central computer facility, general laboratories and offices on Rocky Flats' south side. A spokeswoman said the water flooded an administrative office and part of the computer facility, but was "contained on-site." There was no estimate of damages.

Investigators are checking several possible causes, including a swamp cooler flow switch that was found stuck in the "open" position.

BOULDER CAMERA 7-25-94 8A

Swamp cooler suspected in Rocky Flats 'emergency'

Emergency crews responded to the Rocky Flats nuclear weapons plant late Saturday night after 1,000 gallons of water leaked on the floor of an administrative building.

The source of the water is still under investigation, but officials believe it may have come from a swamp cooler that had its flow switch stuck in the "on" position.

Early analysis of the water, which was contained on the site, revealed no radioactive readings above background level.

Notified of the spill were the Colorado Department of Health,

the Environmental Protection Agency and surrounding communities including Boulder and Broomfield, said Jill Faulkner, EG&G Rocky Flats spokeswoman. Emergency crews responded to the site at 11:19 p.m. and left at 2:30 a.m., she said.

Building 221, located on the south side of Rocky Flats, houses a central computer facility, general laboratory facilities and offices.

While the incident wasn't considered to be a potential major public risk, Rocky Flats officials still classified it as an "alert."



Associated Press

Shelton Smith of the laboratory commission listens as Gov. Ann Richards explains the agreement Friday.

Texas big winner in deal for collider

By DAN CARNEY
POST WASHINGTON BUREAU

RAI

WASHINGTON — After months of rancorous negotiations over the remnants of the superconducting super collider, the federal government tentatively agreed Friday to pay the state of Texas \$210 million in cash and give it title to all the land and most of its facilities at the Waxahachie site.

The agreement settles the issue of how much the state gets back of its \$439 million cash and in-kind contribution made before Congress halted work on the \$11 billion project last summer.

According to Rep. Martin Frost, D-Dallas, the land and facilities are val-

Please see COLLIDER/A-14

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BURRELLE'S

NewsExpress

PAGE 7 OF 6

1/2

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From A-1

P-2
ued at \$510 million, bringing the total value of the settlement to \$730 million. Energy Department officials declined to place a value on the facilities.

Gov. Ann Richards and key officials who negotiated with the Energy Department discussed the offer Friday with members of the Texas National Research Laboratory Commission, which oversees the state's collider investment.

"It is a phoenix rising from the ashes," Richards said of the proposed agreement during a Dallas news conference. "In scientific terms, the opportunities are great for us."

Under terms of the deal, the state gets the cash, the land, the buildings, a partially completed linear accelerator and a magnet development laboratory.

The federal government keeps half the computers and other small equipment. It has also agreed to accept liability for the 14 miles of completed tunnel. Some experts have speculated that the tunnel might pose environmental problems at some future point.

Of the \$210 million in cash, \$65 million is a contribution to transform the half-finished linear accelerator into a cancer center where patients' tumors are bombarded with subatomic particles. This portion of the deal is the only part that needs congressional approval.

The agreement serves as something of an epilogue to one of history's most controversial science episodes. Had it been completed, the collider's 54 miles of tunnel and 10,000 high-tech magnets would have constituted the largest pure science project ever built. Its mission would have been no less than to recreate conditions present during the so-called "big bang" at the beginning of time.

But unlike Texas' other megaproject — the \$27 billion space

station — the super collider never attracted significant international participation, never lived down its reputation as a Texas pork-barrel project, and was never fully understood outside the narrow field of high energy physics.

Just what can be salvaged from the site is unclear. Shelton Smith, head of the laboratory commission, said the state is evaluating a couple of other options in addition to the cancer center. These include a high-performance computer center, and a superconductivity research center that uses the magnet development laboratory and on-site cryogenics facilities.

In the bargaining session, the state's principal leverage came from an item inserted into a 1990 super collider appropriation bill

saying Texas would be reimbursed should Congress terminate the project.

For the past nine months Richards and other state officials pressed their case at every opportunity. They threatened lawsuits and turned routine meetings into acrimonious exchanges.

"Ann Richards is an extremely vigorous advocate of Texas' interests," said Deputy Energy Secretary Bill White. "Anyone watching the scene might have misconstrued that as hostility or a fight. She wasn't fighting with us, she was just making her case."

Energy Secretary Hazel O'Leary said the agreement "represents a substantial breakthrough which will clear the way for completion of the SSC termination without litigation."

BURRELLE'S

NEWS EXPRESS

2/2 PAGE 2 OF 6

Texas agrees to SSC deal

Tarrant would be repaid \$1.5 million investment

BY HOLLACE WEINER
AND RON HUTCHESON
Fort Worth Star-Telegram

A1

DALLAS — Texas will receive land, buildings and cash totaling up to \$730 million in a federal settlement over the closing of the Superconducting Super Collider, an agreement that Gov. Ann Richards described as making the best of a bad deal.

"It is a Phoenix rising from the ashes," Richards said while announcing the settlement at a news conference.

The state will receive land and buildings valued at \$520 million; a \$145 million cash settlement; and \$65 million more, if approved by a panel of experts to convert a collider facility into a proton-therapy cancer center and radio-isotope laboratory.

The 11-page settlement, requiring no new appropriations, is expected to win congressional approval within six weeks, lawmakers on both sides of the issue said.

Tarrant County will be repaid the \$1.5 million it invested to help buy land for
(More on SSC on Page 6)

From Page 1

the aborted project, Richards said.

The project's land and buildings will become state property in Ellis County and will probably be leased back to the Department of Energy for several years. The 14 miles of underground tunnels will remain federally owned.

The agreement averts a costly lawsuit between the state and the federal government over the canceled \$11 billion atom smasher that was to have made Waxahachie into an international science center.

Texas invested about \$540 million in the project — and Tarrant, Ellis and Dallas counties pitched in \$4.4 million to buy land — before Congress killed it in October.

George W. Bush, the governor's Republican opponent, slammed the compromise, saying: "It's unfortunate the state is being forced to settle for a consolation prize."

But Rep. Joe Barton, R-Ennis, said it is a fair settlement given the political climate in Washington.

Appearing later at the news conference with Richards, Barton said Texas is salvaging much from the canceled project.

"We haven't made lemonade out of a lemon, but let me say we have a great recipe to make lemonade," he said.

Tarrant County Commissioner J.D. Johnson, a longtime opponent of the SSC, said he is thankful to get tax money back.

"I wish they had included some interest on the money that we had invested for the last three or four years," Johnson said.

Despite grumbling from collider critics in Congress, the settlement appears likely to win congressional approval.

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BURRELLE'S

NEWS EXPRESS
PAGE 2 OF 7

CONTINUED

Who gets what

Texas gets:

- \$145 million in cash
- \$65 million for proton beam therapy unit
- \$520 million worth of land and buildings at the collider site
- Deep discounts on 2,100 computers and computer workstations

Energy Department gets:

- 14 miles of uncompleted collider tunnel
- All removable assets, including computers not purchased by Texas
- A pledge that Texas will not sue

An aide to Rep. Sherwood Boehlert, who led efforts to cancel the atom smasher, said the New York Republican will reluctantly accept the agreement if it ends federal involvement at the collider site.

"We're obviously not happy with it," the Boehlert aide said. "We think the amount of cash Texas should get is zero. But if it does what it claims to do, then it may be worth calling it a day."

After killing the collider, congressional opponents put pressure on the Energy Department to dismantle the project instead of converting it to other uses.

Yesterday, Richards said that the proposed cancer center would become one of three advanced treatment facilities in the world. It would be capable of destroying malignant tumors without harming healthy tissue.

Texas would also be allowed to purchase, at a 75 percent discount, 2,100 computers that are being harnessed into a "super computing center." The complex can solve industrial and scientific problems that require millions of simultaneous computations. The state would collect user fees.

The project's \$59 million magnet manufacturing center will continue, with the goal of building

magnets for atom smashers planned in Switzerland and other countries.

"If those three projects become reality, they could generate as many jobs as the super collider would have," Barton said. "There's still some promotion and work that has to be done, but the opportunity is there."

Approximately \$140 million of the cash settlement will help retire the \$250 million in revenue bonds sold to finance the SSC. The state also has \$124 million in unspent bond proceeds on hand, said Shelton Smith, chairman of the state's super collider commission.

"We have the option to pay off the revenue bonds," Richards said. "I am sure that decision will be made based on the condition of the markets."

Energy Department officials plan to submit the agreement to members of the House and Senate appropriations committees next week. If lawmakers approve the settlement, its provisions will be inserted into the 1995 Energy Department spending bill, which a House-Senate conference committee is scheduled to take up Wednesday.

The spending bill will then face a vote in the full House and Senate.

Rep. Jim Chapman, D-Sulphur Springs, a member of the House Appropriations Committee, said the cash payments for Texas will come from unspent money that Congress had earmarked for the collider before its cancellation.

"We don't have to raid some other kitty somewhere to make this work," Chapman said.

At the news conference, Richards was asked if she learned anything from the collider ordeal. "I would have better lawyers than I think my predecessor had," she said. "I would make sure there were never any questions, that it was ironclad at the outset."

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Washington, DC 20585

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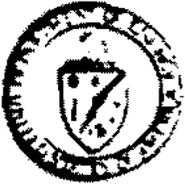
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The Secretary of Energy
Washington, DC 20585

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August 4, 1994

MEMORANDUM FOR LEON PANETTA
FROM: HAZEL R. O'LEARY
SUBJECT: Weekly Report

PRESIDENTIAL INITIATIVES

• Health Calls

I am making phone calls to House members to determine their position on the legislative approach introduced by Representative Gephardt. I will contact Representatives Chapman, Lloyd, Sarpalius, Schenk, Schroeder, Meek, McKinney, Sharp, Tauzin, Fields, Markey, Rangel, Derrick, Frost, and Inslee.

• Crime Calls

I made several calls to members on the crime bill this week. Results were phoned into Cabinet Affairs.

• Current Status on Administration Initiative to Lift the Ban on the Exports of Alaskan Crude Oil

At the request of key House members, the memorandum recommending to the President that the ban on the export of Alaskan crude be lifted is being held until the House completes action on the Export Administration Act. We have developed legislative language and a statement of Administration policy that can be transmitted to the Senate following House action.

In the interim, we have worked with White House Legislative Affairs, the National Economic Council, and the Office of Environmental Policy to develop an effective legislative and communications strategy. The communications strategy is designed to ensure that the Administration receives credit for this initiative in key energy producing States and the production areas of California.

11-11-10

KEY DEPARTMENT NEWS

• Negative Article on the Sale of Surplus Nuclear Equipment in the Wall Street Journal

In early 1992, the Department decided to terminate reprocessing of materials necessary for defense activities. Several months later, the Department determined that much of the equipment planned for use in an upgrade of a Department of Energy reprocessing facility in Idaho was surplus and required disposition. Approximately three-fourths of the equipment was distributed to other Department of Energy facilities for appropriate use. However, the remaining portion of the equipment was sold to an Idaho businessperson. Suggestions were made in a Wall Street Journal article that the transfer of this material posed a proliferation threat. None of this material had been considered classified or otherwise sensitive unclassified nuclear information. However, the transfer of the facility poses significant questions as to the Department's policies and procedures in determining which materials are now surplus and how to dispose of them.

In the short-term, I have sent a senior Department employee to begin negotiations with the purchaser of the equipment to buy it back ensuring that it does not fall into inappropriate hands. We expect it to be in the Department's possession Friday. The equipment is being stored in a warehouse, and there is now security ensuring that it is not moved. In the longer-term, I have established a team within the Department that will examine our current policies and procedures regarding surplus property and policies and procedures for property disposition in light of the end of the Cold War. This group, under the direction of the Under Secretary, will make recommendations to me within the next ninety days.

So far there has been only one negative story and now that we have a short-term strategy to reacquire the property and a long-term strategy to strengthen policy in this area, we expect to be able to minimize further media attention.

• Settlement of State of Texas' Claims Due to Termination of the Superconducting Super Collider (SSC)

As communicated in recent reports, the State of Texas and the Department have signed a term sheet detailing the framework of the comprehensive settlement reached between the parties resulting from termination of the SSC. The settlement consists of a \$145 million cash payment to Texas and a one-time grant of \$65 million to the State to complete a project at the SSC Site. The settlement is contingent upon the Congress authorizing the expenditure of previously appropriated funds for this purpose.

The conference on the fiscal year 1995 Energy and Water Appropriations bill will begin today. Following the conference, there will be a vote on the House floor on the language included in the Senate bill authorizing the Department to provide the grant to

the State to complete a project. A separate vote on the language is required on the House floor, because it was not in the House bill. We are confident that the language will be strongly supported. We believe that past opponents of the program will support the settlement, as will the leadership of both parties. We have worked closely with the State of Texas and appropriate White House offices on this matter.

Termination of the Integral Fast Reactor

It is likely that the Senate conferees to the Energy and Water Appropriations Bill will recede to the House position to terminate the Integral Fast Reactor (IFR). The Administration proposed termination of this project in its Fiscal Year 1995 Budget submission due to the project's inconsistency with our nonproliferation policy (the reactor reprocesses plutonium) and that there is no commercial application for this technology.

The House had voted to terminate the project, and the Senate had supported it by a 52-46 margin. The House instructed its conferees Monday to maintain its position in the upcoming conference with the Senate on this issue. I believe that the Administration should get credit for terminating this project for fiscal purposes and as a nonproliferation initiative. Editorial pages were strongly opposed to this project.

The downside to this termination is that the conferees did not support the Administration's Budget Amendment to redirect the assets of the Lab to work on higher priority missions. I personally met with Senator Simon to request his support for these follow-on missions several times, but he could not agree and maintained his support of the IFR. We will work to include these missions in our Fiscal Year 1996 Budget.

Award of a \$5 Billion Contract to a Lockheed Team to Manage the Idaho National Engineering Laboratory

The Department issued a \$5 billion contract to Lockheed and other firms over a five-year period to manage the Idaho National Engineering Laboratory (INEL). INEL is a multi-disciplinary National Laboratory focused on nuclear research, spent fuel activities, alternate energy technology, and environmental restoration and waste management. With 8,200 employees and a \$1 billion annual budget, the lab is Idaho's second largest employer.

This is the first contract that incorporates the Department's new contracting practices. Importantly, the contract includes provisions that tie remuneration to results. For example, the contract provides incentives for achieving cost savings through increased efficiency and reduced overhead.

The contract also includes many provisions that support the Administration's efforts to create jobs through technology transfer. The Lockheed team will place special emphasis on transferring advanced technology developed at the Lab to the private sector for commercialization. The contract also obligates Lockheed to provide \$180 million in subcontracts to small businesses and \$75 million to small & disadvantaged businesses, and small women owned businesses.

This announcement generated significant media attention nationally and in Idaho.

OUTREACH

- Democratic National Committee Chairman Wilhelm

Today, I met with Democratic National Committee Chairman Wilhelm, Joan Baggett, and Alexis Herman to discuss upcoming travel and determine how I can provide support to Democratic candidates around the country.

- Texas Women's Political Caucus

Saturday, I will deliver the keynote address at the Texas Women's Political Caucus Convention in Dallas. This annual meeting will be attended by 250 people, 150 of whom are delegates to the convention. My remarks will focus on the record of Governor Richards and our Administration's record in creating jobs, proactively addressing issues affecting women, and appointing women to senior policymaking jobs.

- Congress

- Today I delivered remarks at a luncheon sponsored by the Congressional Round Table on Post-Cold War Relations. This is a bipartisan forum associated with the Arms Control and Foreign Policy Caucus. Representatives Jim Leach (R-IA) and Harry Johnston (D-FL) convened the forum and over forty members of Congress with interest in National Security issues attended.

This forum presented an excellent opportunity to highlight the Administration's national security and nonproliferation initiatives. My remarks focused on the Department's transition from producing nuclear weapons to dismantling 2,000 weapons per year, maintaining the nuclear stockpile without nuclear testing, and our accomplishments in the nonproliferation arena. I discussed our efforts to purchase highly enriched uranium from dismantled Russian weapons to reduce the proliferation threat, an agreement to shutdown Russia's reactors that produce weapons-grade material, and initiating a regime with Russia that will allow for control and accounting of weapons-grade material. I believe this is an excellent record of accomplishments that should be publicized.

- Monday, I met with Congressman George Brown (D-CA) to discuss legislation affecting the Department's labs and high energy physics. I also discussed the Administration's efforts to pass crime and health care reform legislation.
- The following meetings are part of my continuing efforts to communicate with members of the Armed Services Committee on the Department's and the Administration's commitment to carrying out our national security missions:
 - Wednesday, I met with Senator Bob Graham (D-FL) to discuss the Department's national security missions including the inclusion of funds for a new tritium source in our Fiscal Year 1995 Budget.
 - Wednesday, I met with Senator Nunn (D-GA) to discuss departmental initiatives to maintain the nuclear stockpile without testing and the inclusion of funding for a new tritium source in its fiscal year 1996 efforts.

Fundraising

- **Democratic Senate Campaign Committee Dinner for Senate Challengers**

Monday evening, I will attend the Senate campaign committee's dinner in honor of the party's Senate candidates.

- **Reception for Governor Sullivan**

Tuesday evening, I will attend a fundraiser for Wyoming Governor Mike Sullivan, a candidate for Wyoming's open Senate seat.

MEDIA

- **Omni Magazine**

Tomorrow, I will be interviewed by Omni Magazine. Omni is currently doing a profile on me. The interview will focus on the Department's use of its scientific assets to create jobs and to commercialize renewable energy and energy efficient technologies.

- **CNBC**

Tuesday, I was interviewed by CNBC. The interview focused on rising oil prices, the situation in Nigeria, and our efforts to support initiatives to stimulate domestic energy production.

- **Minority Business Enterprise News**

I will conduct an interview with Minority Business Enterprise News next week. The interview will focus on Department and Administration initiatives to create opportunity for small and minority business development stimulating business development and job creation in the minority community.

- **Interview with U.S. Public Interest Research Group**

This interview will be published in U.S. PIRG's publication which is distributed to one million members nationwide. My comments will focus on our efforts to redirect the Department's energy priorities, terminate the Integral Fast Reactor, and implement an aggressive policy that reduces the threat of proliferation of weapons-grade material.

The Idaho Statesman
Boise, Idaho
August 4, 1994

Idaho's Lockheed snags contract

U.S. awards INEL nuclear management

By M. Josef Hebert
The Associated Press

WASHINGTON — Lockheed Idaho Technologies Co. was awarded a five-year, \$5 billion contract Wednesday to manage a sprawling Energy Department nuclear weapons facility in Idaho.

The contract to manage operations at the Idaho National Engineering Laboratory, or INEL, is the first agreement issued by the department under a new policy that emphasizes performance and competition in the contracting process.

Lockheed was among three teams of companies vying for the INEL contract, much of which involves dealing with a massive environmental cleanup task at the facility 80 miles west of Idaho Falls.

The two other companies that had sought the Idaho contract were GEMTEC, a team led by Westinghouse that included Boise-based Morrison Knudsen

Corp., and Idaho Applied Technologies, a team led by EG&G. Both Westinghouse and EG&G have been involved in managing the Idaho facility under the expiring contract.

With 8,200 employees and an annual budget of \$1 billion, the Idaho facility is Idaho's second largest employer.

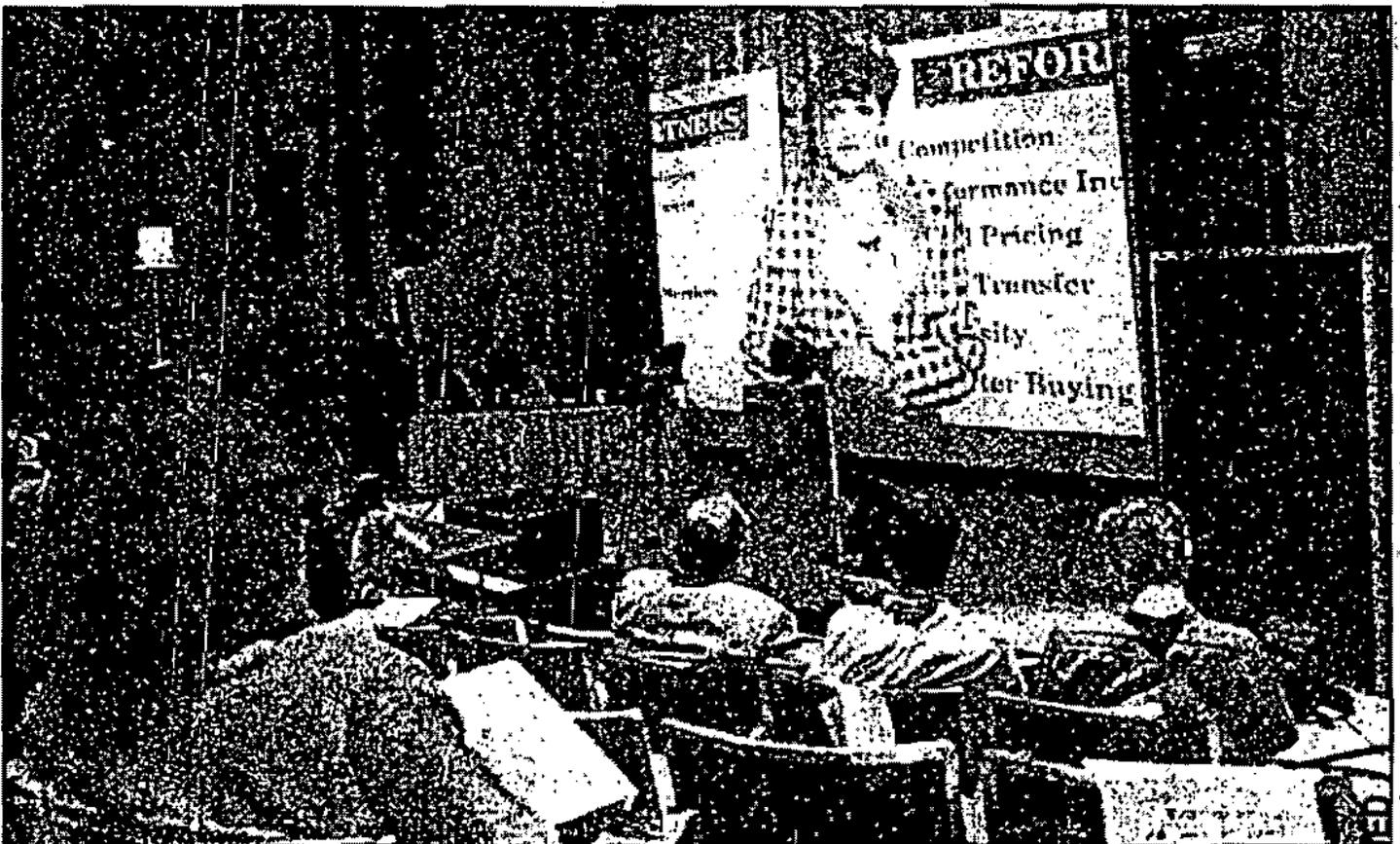
The facility is involved in nuclear safety research, the storage of spent nuclear fuel from Navy ships and various nuclear waste management programs stemming from decades of nuclear weapons production.

Besides Lockheed, companies in the management team are Babcock & Wilcox Idaho, Coleman Research Corp., Duke Engineering & Services, NUMATEC, Parsons Environmental Services, Rust International and Thermo Electron Corp.

Energy Secretary Hazel O'Leary said the Lockheed management group is "a strong and diverse team that is well suited to the scientific, engineering and environmental challenges at the federal weapons facility in Idaho, one of the department's largest."

Post Register
Idaho Falls, ID
Circulation 29,400
August 3, 1994
Front Page &
Section A, Page 3

Lockheed lands contract



Gathered this morning at University Place in Idaho Falls, some 150 INEL workers, community leaders and members of the media listened to Energy Secretary Hazel O'Leary via satellite from Washington, D.C. She announced that a consortium led by Lockheed Corp. has been awarded the \$5 billion consolidated contract to run the Idaho National Engineering Laboratory.

Contractor plans 'new missions' at INEL

MISSIONS

From Page A1

heed as a company is going," Denson said. "We passed on Sandia (a national laboratory in Albuquerque, N.M.) because they really weren't looking to make changes like that."

Denson, mindful that the contract award still may be subject to another company's protest, couldn't release the details of missions he has in mind. Speaking generically, he said their thrusts will include "technology development enhancing the long-term competitiveness of the country" and high-tech jobs that are spun out of the site and into new companies in Idaho Falls.

Even if the drive for efficiency costs some jobs in the next year, he said, the company hopes it can foster enough off-site jobs to compensate.

Above all, Lockheed wants to keep the emphasis on applied-engineering technology rather than retreating into a mode that lets environmental clean-up drain all of the site's energy, Denson said.

"We obviously have to clean it up. That's required by law and we'll do it," he said. "But we're going to try to shift the focus to research in applied engineering through industry partnerships."

Without question, Denson said, some jobs will go. In particular, when five major contracts are blended into one, the old regime will be top-heavy. There will be too many executives, too many financial officers and so on, Denson said.

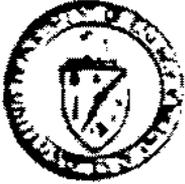
After management is trimmed and combined under one company, further work force reductions may or may not occur, depending on how quickly new missions emerge.

"There's a fundamental redun-

dancy in having five contractors lined up," Denson said. "So that redundancy would be the main issue. Then everything will be dependent on how well we do the job in front of us."

If jobs do become outdated or unfunded, Lockheed will try its best to find new jobs for workers, Denson pledged. That may involve retraining for new jobs on the site, or even transfers to other locations within Lockheed or any of the other companies in the new INEL partnership. People now working for EG&G in Idaho could find new work for Lockheed in Texas, California or elsewhere if they're qualified.

"We will handle any job loss — or addition — with a lot of class," he said. "That's the way we are as a corporation."



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