Four Big Electric Utilities Have Joined Dispute Over Future Uranium Supply

A dispute between two of the nation's major uranium suppliers has added four big electric utilities to the growing list of power suppliers uncertain about the future source and price of portions of their uranium fuel for their nuclear power plants.

At odds are the United Nuclear Corporation, a Long Island-based company and the General Atomic Company, a joint venture owned by the Gulf Oil Corporation and the Scallop nuclear unit of the Royal Dutch Shell Group. Amid a series of issues in controversy, the two companies are arguing in a state and a Federal Court in New Mexico, the contractual responsibilities of the two to produce some 24.5 million pounds of uranium contracted to the utilities several years ago.

A key issue is that both companies have notified the utilities either directly or via the litigation that should either be ordered to assume responsibility for the utility contracts, they may "excuse" themselves from these responsibilities under provisions of the Uniform Commercial Code.

Affected by the dispute are the Duke Power Company, serving North Carolina and South Carolina, the Detroit Edison Company, the Commonwealth Edison Company, serving Chicago and most of northern Illinois, and the Indiana and Michigan Electric Company, a subsidiary of the American Electric Power Company.

A resolution of the dispute could cost the suppliers millions of dollars to produce the uranium over the next decade, or it could cost the utilities equal amounts if they are forced to pay higher prices to get the uranium than originally intended.

Last fall the Westinghouse Electric Corporation notified nearly 20 electric utilities with which it had uranium supply contracts that it was excusing itself from those obligations under provisions of the Uniform Commercial Code as it applied to business being commercially impracticable. That action by Westinghouse is now in litigation.

The United Nuclear-General Atomic fight stems from an unsuccessful business venture started in 1971 by United and the Gulf Oil Corporation. Gulf United Nuclear Fuels was set up to utilize United's expertise and reputation with Gulf's money to sell to utilities fabricated fuel for their nuclear reactors including the uranium.

United assigned some of its existing uranium fuel supply contracts to the new joint venture and subsequently Gulf-United solicited some of its own. But when the joint venture was dissolved, the two reached agreements—now part of the dispute—regarding settlement of their contractual obligations. Gulf's share was eventually assigned to General Atomic.

In a suit filed in Santa Fe last August United Nuclear charged in a state civil court that the agreement for settling the joint venture's obligations was void because of alleged fraud and misconduct on the part of Gulf and General Atomic. In a petition before the United States District Court for New Mexico filed last month in Albuquerque, General Atomic asked the court to take jurisdiction of the case and the uranium contracts and to determine who is responsible for fulfilling them. All of the utilities and United have filed petitions opposing this.

United States District Judge Howard Bratton is expected to rule this week on the question of jurisdiction.

The utilities have been quiet about their problems with the two uranium suppliers, but, asked about the situation, officials of three of the companies said they intended to pursue enforcement of the contracts.

They would not say whether they would settle for receiving the uranium at a price higher than that originally agreed upon with these suppliers.

Duke Power, which failed to receive its scheduled shipment of 325,000 pounds of uranium in December, exemplified the responses of other utilities, however, noting that it "will strongly dispute the claimed excuse" from the contract commitments.

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