



South Texas Project Electric Generating Station P.O. Box 289 Wadsworth, Texas 77483

October 8, 2001  
NOC-AE-01001193  
10CFR50.80  
10CFR2.790

U. S. Nuclear Regulatory Commission  
Attention: Samuel J. Collins  
Director, Office of Nuclear Reactor Regulation  
Washington, DC 20555-0001

South Texas Project  
Units 1 and 2  
Docket Nos. STN 50-498 and STN 50-499  
Supplemental Information Regarding Application for Order and  
Conforming Administrative Amendments for Transfer of Licenses

Reference: Letter, William T. Cottle to S. J. Collins, "Application for Order and  
Conforming Administrative Amendments for Transfer of Licenses,"  
June 28, 2001 (NOC-AE-01001123)

On behalf of Central Power and Light Company (CPL), STP Nuclear Operating Company submits the following supplemental information regarding its Application for Order and Conforming Administrative Amendments for Transfer of Licenses (Application) submitted in the referenced letter. The pending license transfer application requests that the Nuclear Regulatory Commission (NRC) consent to the transfer of control of CPL's ownership interest in the South Texas Project Electric Generating Station, Units 1 and 2 (STPEGS) to an affiliated generating company, CPL Genco LP.

This supplemental information relates to the financial qualifications of CPL Genco LP to own 25.2% of STPEGS. The financial information previously submitted continues to apply to CPL Genco LP. This submittal provides additional details related to the cost-based relationship between CPL Genco LP and its power marketing affiliate (PMA).

The Application explained that CPL Genco LP will sell its generation to an affiliate under a cost-based agreement. CPL anticipates that the cost-based agreement between CPL Genco LP and its PMA will continue from January 1, 2002 (the opening of electric competition in Texas), at least until "true up" in 2004, when under the Texas statute, owners of generating assets will finalize stranded cost recovery.

The cost-based agreement will take the form of a power sales agreement between CPL Genco LP and its PMA. Under this Agreement, CPL Genco LP will provide all available capacity to its PMA for dispatch, and the PMA will pay to CPL Genco LP all of its expenses including operating and maintenance expenses, capital repairs and improvements, a return on common equity and other capital, depreciation, amortization, federal income taxes and other taxes.

ADD

After true up, CPL Genco LP may continue its relationship with its PMA under this cost-based agreement or on another basis, or it may sell power at market prices. In any case, the financial projections provided in the referenced letter provide assurance that CPL Genco LP will have access to sufficient funds to pay its *pro rata* share of STPEGS operating expenses for the entire 5-year period.

To facilitate NRC review of the previously submitted financial information, Attachment 1 to this letter includes a five-year *pro forma* projected income statement for CPL Genco LP's 25.2% interest in STPEGS on a stand-alone basis. The statement shows a base case projection using conservative market price forecasts, and a sensitivity analysis showing the effect of a 10% reduction below those market price forecasts. The capacity factors selected for each year are below the 3-year average STPEGS capacity factor of 90.3% (95.1% for 1998, 88.7% for 1999, and 87.2% for 2000). In either case, these projections demonstrate that revenues from sales of energy from CPL Genco LP's share of STPEGS will be more than sufficient to cover its operating expenses as well as its share of any Price-Anderson retrospective premium.

These financial statements, containing confidential commercial and financial information including the market price sensitivity analysis, are provided in a separate proprietary addendum. CPL requests that Attachment 1A be withheld from public disclosure pursuant to 10 CFR 2.790, as described in the Affidavit of Henry W. Fayne provided in Attachment 2. A non-proprietary version of this document suitable for public disclosure is provided as Attachment 1.

If NRC requires additional information concerning this supplemental information to the license transfer request, please contact Mr. Scott Head, Manager, Licensing at (361) 972-7136.



William T. Cottle  
President & Chief Executive Officer

Attachment 1 Projected Income Statement for CPL Genco LP's Share of STPEGS (Non-Proprietary Version)

Attachment 2 10 CFR 2.790 Affidavit of Henry W. Fayne

Confidential Addendum:

Attachment 1A Projected Income Statement of CPL Genco LP's Share of STPEGS (Proprietary Version)

cc: without proprietary attachment unless otherwise noted

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UNITED STATES OF AMERICA  
NUCLEAR REGULATORY COMMISSION

In the Matter of	)	
	)	
STP Nuclear Operating Company	)	Docket Nos. 50-498
	)	50-499
South Texas Project Units 1 and 2	)	
	)	

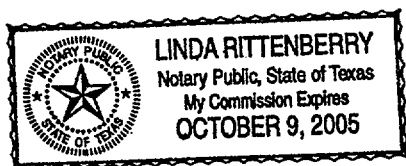
AFFIRMATION

I, William T. Cottle, being duly sworn, hereby depose and state that I am President & Chief Executive Officer of STP Nuclear Operating Company; that I am duly authorized to sign and file with the Nuclear Regulatory Commission the supplemental information being provided herewith; that I am familiar with the content thereof; and that the matters set forth therein with regard to STP Nuclear Operating Company are true and correct to the best of my knowledge and belief.

William T. Cottle  
William T. Cottle  
President & Chief Executive Office

STATE OF TEXAS                    )  
  )  
COUNTY OF MATAGORDA        )

Subscribed and sworn to before me, a Notary Public in and for the State of Texas, this 8<sup>th</sup> day of October, 2001.



Linda Rittenberry  
Notary Public in and for the  
State of Texas

UNITED STATES OF AMERICA  
NUCLEAR REGULATORY COMMISSION

In the Matter of )

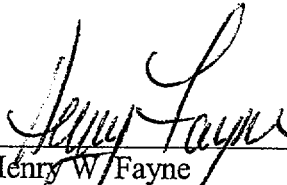
STP Nuclear Operating Company )

South Texas Project Units 1 and 2 )

Docket Nos. 50-498  
50-499

AFFIRMATION

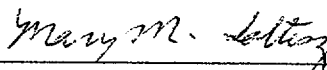
I, Henry W. Fayne, being duly sworn, hereby depose and state that I am Vice President of Central Power and Light Company; that I am familiar with the content of the supplemental information being provided herewith; and that the matters set forth therein with regard to Central Power and Light Company are true and correct to the best of my knowledge and belief.

  
\_\_\_\_\_  
Henry W. Fayne  
Vice President

STATE OF OHIO )

COUNTY OF FRANKLIN )

Subscribed and sworn to before me, a Notary Public in and for the State of Ohio, this 28<sup>th</sup> day of September, 2001.

  
\_\_\_\_\_  
Notary Public in and for the  
State of Ohio

MARY M. SOLTESZ  
NOTARY PUBLIC, STATE OF OHIO  
My Commission Expires 07-13-04

**ATTACHMENT 1**

**SOUTH TEXAS PROJECT (CPL GENCO LP SHARE)  
PROJECTED REVENUES AND EXPENSES  
(NON-PROPRIETARY VERSION)**

**SOUTH TEXAS PROJECT (CPL GENCO LP SHARE)**  
**Projected Revenues and Expenses**  
**(Market Price Scenario)**

	2002	2003	2004	2005	2006
Capacity Factor (%)					
Capacity (MW)					
Generation (GWh)					
Volume Weighted Wholesale Power Price (\$/MWh)					
Revenue (\$M):					
Power					
Other (Collections for Decommissioning)					
<b>Total</b>					
Expenses (\$M):					
Fuel					
Operations & Maintenance					
Taxes Other Than Income					
Decommissioning					
<b>Total</b>					
<b>NET</b>					

**SOUTH TEXAS PROJECT (CPL GENCO LP SHARE)**  
**Projected Revenues and Expenses**  
**(10% Market Price Reduction Scenario)**

	2002	2003	2004	2005	2006
Capacity Factor (%)					
Capacity (MW)					
Generation (GWh)					
Volume Weighted Wholesale Power Price (\$/MWh)					
Revenue (\$M):					
Power					
Other (Collections for Decommissioning)					
<b>Total</b>					
Expenses (\$M):					
Fuel					
Operations & Maintenance					
Taxes Other Than Income					
Decommissioning					
<b>Total</b>					
<b>NET</b>					



**ATTACHMENT 2**

**10 CFR 2.790 AFFIDAVIT OF HENRY W. FAYNE**


UNITED STATES OF AMERICA  
NUCLEAR REGULATORY COMMISSION

In the Matter of	)	
	)	
STP Nuclear Operating Company	)	Docket Nos. 50-498
	)	50-499
South Texas Project Units 1 and 2	)	

AFFIDAVIT

I, Henry W. Fayne, Vice President, of Central Power and Light Company ("CPL") do hereby affirm and state:

1. I am authorized to execute this affidavit on behalf of CPL.
2. CPL is providing supplemental information in support of its Application for Order and Conforming Administrative Amendments for Transfer of Licenses. The documents being provided in Attachment 1A contain financial projections related to the ownership and operation of CPL's interests in the South Texas Project Electric Generating Station. These documents constitute proprietary commercial and financial information that should be held in confidence by the NRC pursuant to the policy reflected in 10 C.F.R. §§ 2.790(a)(4) and 9.17(a)(4), because:
  - i. This information is and has been held in confidence by CPL.
  - ii. This information is of a type that is customarily held in confidence by CPL, and there is a rational basis for doing so because the information contains sensitive financial information concerning projected revenues and operating expenses of CPL and its successors and affiliates.
  - iii. This information is being transmitted to the NRC in confidence.
  - iv. This information is not available in public sources and could not be gathered readily from other publicly available information.
  - v. Public disclosure of this information would create substantial harm to the competitive position of CPL and its successors and affiliates by disclosing their internal financial projections.

-   
Henry W. Fayne  
Vice President

Subscribed and sworn to me, a Notary Public, in and for the State of Ohio, this 28<sup>TH</sup>  
day of September, 2001.

MARY M. SOLTESZ  
NOTARY PUBLIC, STATE OF OHIO  
My Commission Expires 07-16-14