

**NRC DISTRIBUTION FOR PART 50 DOCKET MATERIAL
(TEMPORARY FORM)**

CONTROL NO: 5438

FILE: _____

FROM: Carolina Power & Light Co Raleigh, NC J. A Jones		DATE OF DOC 5-14-75	DATE REC'D 5-16-75	LTR XXX	TWX	RPT	OTHER
TO: Mr Rusche		ORIG one signed	CC	OTHER	SENT AEC PDR <u>XX</u> SENT LOCAL PDR <u>XX</u>		
CLASS	UNCLASS XXXXXXX	PROP INFO	INPUT	NO CYS REC'D 1	DOCKET NO: 50-400/401/402/403		

DESCRIPTION:

Ltr notarized 5-14-75...trans the following

*** ONLY THREE CYS OF 3 VOLUME MORTGAGE &
DEED OF TRUST PACKAGE SUBMITTED, DIST IS AS
FOLLOWS: 2 CYS LPM CUTCHIN & ONE CY REG FILE
DIST PER LPM CUTCHIN *Per shelf*

PLANT NAME: SHARON HARRIS 1-4

ENCLOSURES:

Addl financial material in response to our
4-8-75 ltr: Consisting of:
1. 1974 Annual Report 2. Prospectus for
April 1975 bond offering 3. 3 Volume Mortgage
& deed of trust w/Suppl Indentures 1-20. ***
4. Exerpts from CP&L charter
5. Info concerning stock issue 6. Indome
statement 7. Responses to outhur questions
will be found in the transmittal letter.....
(25 sets encl rec'd)

FOR ACTION/INFORMATION

5-19-75 ehf

BUTLER (L) W/2 Copies	SCHWENCER (L) W/ Copies	ZIEMANN (L) W/ Copies	REGAN (E) W/ Copies
CLARK (L) W/ Copies	STOLZ (L) W/ Copies	DICKER (E) W/ Copies	LEAR (L) W/ Copies
PARR (L) W/ Copies	VASSALLO (L) W/ Copies	KNIGHTON (E) W/ Copies	SPRIS W/ Copies
KNIEL (L) W/ Copies	PURPLE (L) W/ Copies	YOUNGBLOOD (E) W/ Copies	LICENSING PROJECT MANAGER

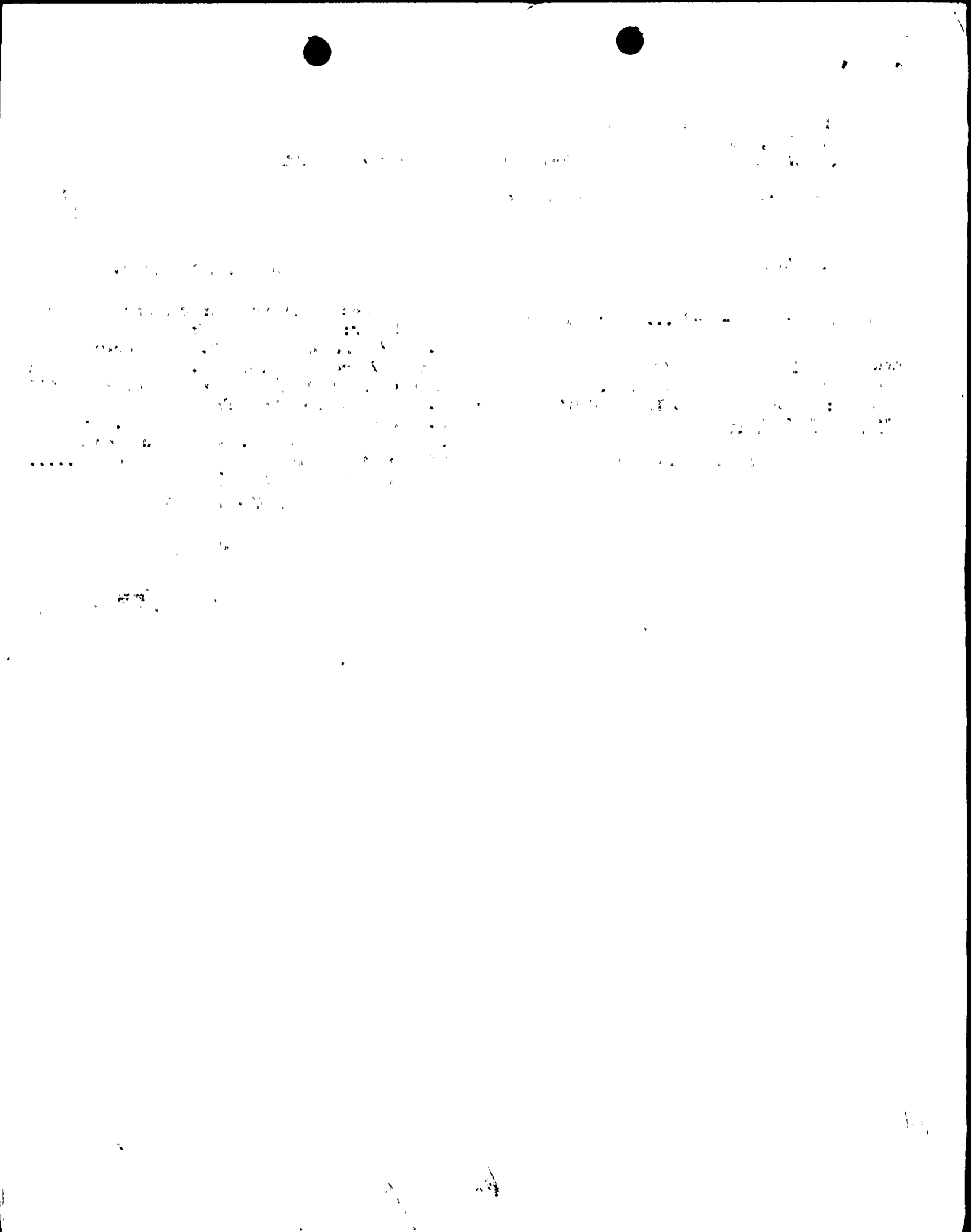
**ACKNOWLEDGED
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INTERNAL DISTRIBUTION

<u>REG FILE</u>	<u>TECH REVIEW</u>	<u>DENTON</u>	<u>LIC ASST.</u>	<u>A/T IND.</u>
NRC PDR	SCHROEDER	GRIMES	R. DIGGS (L)	BRAITMAN
OGC, ROOM P-506A	MACCARY	GAMMILL	H. GEARIN (L)	SALTZMAN
GOSSICK/STAFF	KNIGHT	KASTNER	E. GOULBOURNE (L)	MELTZ
CASE <i>ltr</i>	PAWLICKI	BALLARD	P. KREUTZER (E)	
GIAMBUSSO <i>ltr</i>	SHAO	SPANGLER	J. LEE (L)	<u>PLANS</u>
BOYD	STELLO		M. MAIGRET (L)	MCDONALD <i>ltr</i>
MOORE (L)	HOUSTON	<u>ENVIRO</u>	S. REED (E)	CHAPMAN
DEYOUNG (L) <i>ltr</i>	NOVAK	MULLER	M. SERVICE (L)	DUBE (Ltr)
SKOVHOLT (L)	ROSS	DICKER <i>ltr</i>	S. SHEPPARD (L)	E. COUPE
GOLLER (L) (Ltr)	IPPOLITO	KNIGHTON	M. SLATER (E)	PETERSON
P. COLLINS	TEDESCO	YOUNGBLOOD	H. SMITH (L)	HARTFIELD (2)
DENISE	J. COLLINS	REGAN	S. TEETS (L)	KLECKER
<u>REG OPR</u>	LAINAS	PROJECT LDR	G. WILLIAMS (E)	EISENHUT
FILE & REGION (2)	BENAROYA		V. WILSON (L)	WIGGINTON
NPIC	VOLLMER	<u>HARLESS</u>	R. INGRAM (L)	
STEELE				

EXTERNAL DISTRIBUTION

1 - LOCAL PDR <i>Raleigh, NC</i>	1 - NATIONAL LABS <i>PNWL</i>	1 - PDR-SAN/LA/NY
1 - TIC (ABERNATHY) <i>(4)(2)(10)</i>	1 - W. PENNINGTON, Rm E-201 GT	1 - BROOKHAVEN NAT LAB
1 - NSIC (BUCHANAN)	1 - CONSULTANTS	1 - G. ULRIKSON, ORNL
1 - ASLB	NEWMARK/BLUME/AGBABIAN	1 - AGMED (RUTH GUSSMAN) Rm B-127 GT
1 - Newton Anderson		1 - J. D. RUNKLES, Rm E-201 GT
3 - ACRS <u>HOLDING/SENT</u>		
<i>TO C. A. Majors</i>		





Carolina Power & Light Company

May 14, 1975



Mr. Benard C. Rusche, Director
Office of Nuclear Reactor Regulation
U. S. Nuclear Regulatory Commission
Washington, D. C. 20555

RE: DOCKET NOS. 50-400, 50-401, 50-402 AND 50-403

Dear Mr. Rusche:

Enclosed as Attachment A are the responses to the requests for additional financial information of Mr. Walter R. Butler, dated April 8, 1975. Although this material was generated prior to the May 5, 1975 announcement concerning revisions to the CP&L construction program, the provided information is not inconsistent with the new schedule.

This information will be incorporated into the Shearon Harris Nuclear Power Plant Application at a later date.

Yours very truly,

J. A. Jones
Executive Vice President
Engineering, Construction & Operation

JAJ/mf
Attachment

J. L. Lancaster, Jr.
Secretary

Sworn to and subscribed before me this 14th day of May, 1975.

Notary Public

My Commission Expires: July 4, 1975

REGULATORY DOCKET FILE COPY

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Attachment A

Answers to Mr. Walter R. Butler's
Letter of April 8, 1975

Question 1

Provide a copy of the 1974 Annual Report to Shareholders.

Response

The 1974 Annual Report is included as Exhibit A.

Question 2

Provide a copy of the prospectus prepared in connection with the April 1975 bond offering, together with the net earnings certificate for this issue.

Response

The prospectus for the April 1975 bond offering is included as Exhibit B. The net earnings certificate for this issue is included as Exhibit B-1.

Question 3

Provide a copy of the mortgage bond indenture.

Response

The NRC Staff has been provided with three copies of the three-volume Mortgage and Deed of Trust with Supplemental Indentures One-Twenty. These are denoted Exhibits C-1, C-2, and C-3. One copy of Exhibits C-1, C-2, and C-3 has been provided to Mr. Thomas S. Erwin, P. O. Box 928, 115 West Morgan Street, Raleigh, North Carolina 27602.

Question 4

Provide a copy of that portion of the Corporate Charter which explains the preferred stock coverage requirements.

Response

The following excerpt is taken from pages 9 and 10 of the CP&L Corporate Charter.

"(18) So long as any shares of the Preferred Stocks are outstanding, the Company shall not, without the consent (given by vote at a meeting held pursuant to notice containing a statement of such purpose) of the holders of a majority of the total number of shares of the Preferred Stocks considered as one class, then outstanding:

(a) Increase the total authorized amount of any class of the Preferred Stocks; or

(b) Merge or consolidate with or into any other corporation or corporations, unless such merger or consolidation, or the exchange, issuance or assumption of all securities to be issued or assumed in connection with any such merger or consolidation,

shall have been ordered, approved or permitted by the Securities and Exchange Commission under the provisions of the Public Utility Holding Company Act of 1935 or by any successor commission or other regulatory authority of the United States of America having jurisdiction over the exchange, issuance or assumption of securities in connection with such merger similar to that conferred upon the Securities and Exchange Commission by such Act; provided that the provisions of this clause (b) shall not apply to a purchase or other acquisition by the Company of franchises or assets of another corporation in any manner which does not involve a merger or consolidation; or

(c) Issue shares of any of the Preferred Stocks or of any other class of stock ranking prior to or on a parity with any of the Preferred Stocks as to dividends or distributions, unless the net income of the Company, determined after provisions for depreciation and all taxes, and in accordance with generally accepted accounting practices to be available for the payment of dividends for a period of twelve (12) consecutive calendar months within the fifteen (15) calendar months immediately preceding the issuance, sale or disposition of such stock, is at least equal to twice the annual dividend requirements on all outstanding shares of the Preferred Stocks and of all other classes of stock ranking prior to, or on a parity with, any of the Preferred Stocks as to dividends or distributions, including the shares proposed to be issued, and unless the gross income of the Company for said period, determined in accordance with generally accepted accounting practices (but in any event after deducting the amount for said period charged by the Company on its books to depreciation expense and all taxes) to be available for the payment of interest, shall have been at least one and one-half times the sum of (i) the annual interest charges on all interest bearing indebtedness of the Company and (ii) the annual dividend requirements on all outstanding shares of the Preferred Stocks and of all other classes of stock ranking prior to, or on a parity with the Preferred Stocks as to dividends or distributions, including the shares proposed to be issued. There shall be excluded from the foregoing computation, interest charges on all indebtedness and dividends on all stock which is to be retired in connection with the issue of such additional shares of stock. Where such additional shares of stock are to be issued in connection with the acquisition of new property, the net earnings of the property to be so acquired may be included on a pro forma basis in the foregoing computation, computed on the same basis as the net earnings of the Company; or

(d) Issue shares of the Preferred Stocks, or of any other class of stock ranking prior to or on a parity with any of the Preferred Stocks as to the payment of dividends or the distribution of assets, unless the aggregate of the capital of the Company applicable to the Common Stock and the surplus of the Company shall be not less than the aggregate stated value of the Preferred Stocks, and of any other class of stock ranking

prior to or on a parity with any of the Preferred Stocks as to the payment of dividends or the distribution of assets, to be outstanding immediately after the proposed issue of such additional Preferred Stocks, excluding from the foregoing computation all indebtedness and stock which are to be retired in connection with the issue of such additional shares of Preferred Stocks, or of any other class of stock ranking prior to or on a parity with any of the Preferred Stocks as to the payment of dividends or the distribution of assets, provided that no portion of the surplus of the Company which shall be used to meet the requirements of this paragraph (d) shall, after the issue of such additional shares of Preferred Stocks, or of any other class of stock ranking prior to or on a parity with any of the Preferred Stocks as to the payment of dividends or the distribution of assets, and until such shares or a like number of other shares of Preferred Stocks, or of any other class of stock ranking prior to or on a parity with any of the Preferred Stocks as to the payment of dividends or the distribution of assets, shall have been retired, be available for dividends or other distribution upon the Common Stock."

Question 5

Provide a detailed explanation of all restrictions or constraints on the issuance of long or short-term debt, preferred stock, preference stock and common stock.

Response

First Mortgage Bonds:

In order to sell bonds the earnings requirements as spelled out in the Bond Indenture must be met. The earnings requirements are that net earnings available for bond interest must be two times the annual interest requirements on all bonds outstanding, plus any proposed issue, or as an alternate 10% of all bonds outstanding including proposed issue does not exceed the amount of the net earnings available for bond interest.

Short-Term Debt:

The limit on total short-term debt that may be outstanding at any one time is \$200 million, as set by the Company's Board of Directors. The guideline limitation on commercial paper set by the Securities and Exchange Commission is not more than an amount equal to 25% of the gross revenues for the latest 12-month period. There are no indenture restrictions on short-term loans.

Preferred Stock:

In order to sell preferred stock the charter requirements must be met. One of the requirements is that net earnings must be at least one and one-half times the annual interest on all interest bearing securities and preferred dividends.

There are no indenture or charter restrictions on the sale of preference or common stock. The sale of all securities, in addition to the restrictions above, are governed by market conditions.

Question 6

Provide an income statement for each month of calendar year 1975 covering the preceding twelve-month period, together with regular quarterly reports to shareholders. (Provide the information available at the time of responding to this request and periodically update until completion of the hearing.)

Response

The income statement for the requested period is found on page 5. The regular quarterly report, dated March 31, 1975, is included as Exhibit D.

Question 7

Provide a projected income statement for each of the years over the 1975-1984 period demonstrating how the net income figures on page 4D of the Application (Amendment 40) were arrived at. State the assumptions used in preparing the projections, such as an 8% annual increase in KWH sales and annual rate increases averaging 6% (as mentioned in the responses to Questions 2 and 3 of Amendment 40).

Response

See Projected Income Statement for the Years 1975-1984 on page 6.

Question 8

Provide a reconciliation of the figures for construction expenditures shown on page 4D of the Application for the subject nuclear plant over the 1975-1984 period and those shown on page 5 of the Application for the estimated total cost by year of the four units over the same period. (The difference appears to be greater than the allowance for funds used during construction attributable to the subject nuclear plant.)

Response

The differences in the costs shown on page 4D and page 5 of the Application for the subject plant is allowance for funds used during construction.

Question 9

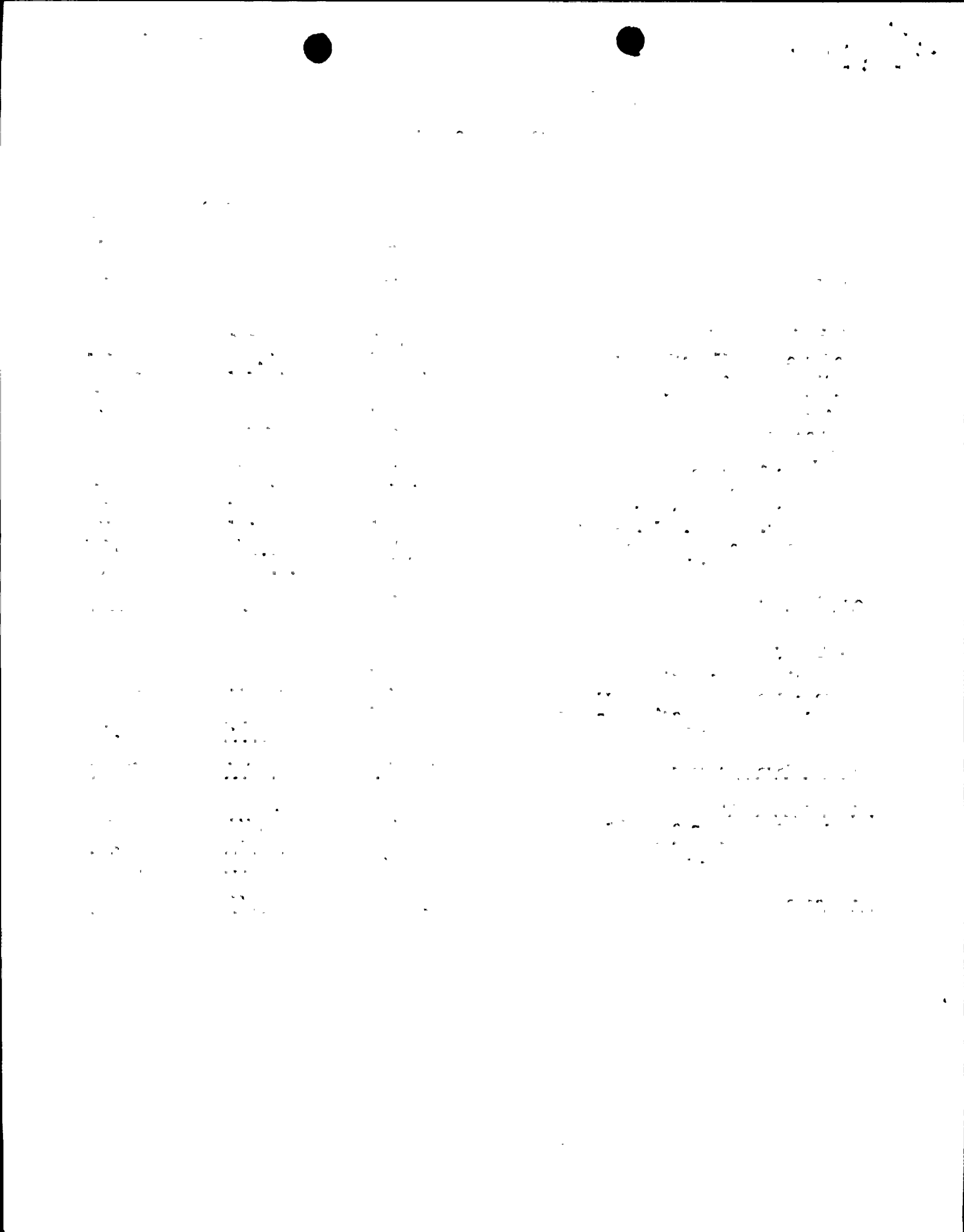
Indicate the disposition of the North Carolina Utilities Commission's order of February 3, 1975 limiting residential fuel adjustments to a seventy-five percent recovery level.

Response

The reduction in the fuel adjustment clause limiting recovery to 75% of increased fossil fuel cost to residential customers expired April 1, 1975, as indicated by the Order. By Order dated April 2, 1975, the North Carolina Utilities Commission approved all fuel clause revenues collected as of that date. The Company is now recovering the full increase without any reduction to any class of customer.

CAROLINA POWER & LIGHT COMPANYIncome Statement

	(Thousands of \$)		
	12 Months Ended		
	<u>01-31-75</u>	<u>02-28-75</u>	<u>03-31-75</u>
<u>Operating Revenues</u>	<u>487,128</u>	<u>511,745</u>	<u>528,634</u>
<u>Operating Expenses:</u>			
Fuel	249,857	257,141	264,643
Deferred Fossil Fuel Cost	(32,276)	(21,534)	(16,647)
Purchased Power	14,959	15,066	14,865
Other Operating Costs	47,278	48,154	48,434
Maintenance	28,876	29,092	28,610
Depreciation	36,114	36,683	37,252
<u>Taxes:</u>			
Federal Income	(7,187)	(1,861)	(5,160)
State Income	1,687	1,750	1,965
Deferred Taxes - Net	31,043	26,926	25,618
Invest. Tax Cr. Adj. - Net	(6,234)	(6,226)	(415)
Taxes Other Than Income	<u>42,283</u>	<u>43,760</u>	<u>44,626</u>
Total	<u>406,400</u>	<u>428,951</u>	<u>443,791</u>
<u>Operating Income</u>	<u>80,728</u>	<u>82,794</u>	<u>84,843</u>
<u>Other Income:</u>			
Allowance for Funds Used			
During Construction	55,476	56,879	58,009
Taxes-Other Income & Deductions - Cr.	16,683	17,241	17,786
Other Income (Deductions) - Net	786	782	823
Total	<u>72,945</u>	<u>74,902</u>	<u>76,618</u>
<u>Income Before Interest Charges</u>	<u>153,673</u>	<u>157,696</u>	<u>161,461</u>
<u>Interest Charges:</u>			
Interest on Long-Term Debt	71,158	72,644	74,119
Other Interest Charges	<u>7,560</u>	<u>7,829</u>	<u>8,149</u>
Total	<u>78,718</u>	<u>80,473</u>	<u>82,268</u>
<u>Net Income</u>	<u>74,955</u>	<u>77,223</u>	<u>79,193</u>



CAROLINA POWER & LIGHT COMPANYProjected Income StatementYears 1975 - 1984

(Millions of \$)

	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>
Revenues	<u>645</u>	<u>756</u>	<u>855</u>	<u>902</u>	<u>952</u>	<u>1,004</u>	<u>1,096</u>	<u>1,292</u>	<u>1,384</u>	<u>1,527</u>
O & M Expenses	413	430	449	472	498	530	568	613	667	725
Depreciation	50	63	67	73	83	94	113	137	159	182
Taxes	<u>72</u>	<u>114</u>	<u>149</u>	<u>155</u>	<u>158</u>	<u>159</u>	<u>168</u>	<u>222</u>	<u>219</u>	<u>230</u>
Total Operating Expenses	<u>535</u>	<u>607</u>	<u>665</u>	<u>700</u>	<u>739</u>	<u>783</u>	<u>849</u>	<u>972</u>	<u>1,045</u>	<u>1,127</u>
Operating Income	<u>110</u>	<u>149</u>	<u>190</u>	<u>202</u>	<u>213</u>	<u>221</u>	<u>247</u>	<u>320</u>	<u>339</u>	<u>400</u>
Other Income	<u>61</u>	<u>51</u>	<u>73</u>	<u>95</u>	<u>119</u>	<u>148</u>	<u>143</u>	<u>150</u>	<u>169</u>	<u>175</u>
Income Before Interest Charges	<u>171</u>	<u>200</u>	<u>263</u>	<u>297</u>	<u>332</u>	<u>369</u>	<u>390</u>	<u>470</u>	<u>508</u>	<u>575</u>
Interest Expense	<u>89</u>	<u>100</u>	<u>115</u>	<u>129</u>	<u>149</u>	<u>169</u>	<u>190</u>	<u>217</u>	<u>246</u>	<u>270</u>
Net Income	<u>82</u>	<u>100</u>	<u>148</u>	<u>168</u>	<u>183</u>	<u>200</u>	<u>200</u>	<u>253</u>	<u>262</u>	<u>305</u>

NOTE: This forecast is based on KWH sales increase of approximately 8% annually for the period 1975 - 1984, and also rate increases of approximately 75% are estimated to be needed during this time period. (Rate increase estimated at: 1976 - 30%, 1981 - 10%, 1982 - 10%, 1983 - 12%.)

