

NRC PUBLIC DOCUMENT ROOM

UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

BEFORE THE ATOMIC SAFETY AND LICENSING BOARD

In the Matter of)
PUGET SOUND POWER & LIGHT) Docket Nos. 50-522
COMPANY, et al.) 50-523
(Skagit Nuclear Power Project,) October 8, 1979
Units 1 and 2))

APPLICANTS' PROPOSED
FINDINGS OF FACT RE FINANCIAL QUALIFICATIONS

Pursuant to paragraph 1 of the Board's order of September 13, 1979 (Miscellaneous Orders), Applicants herewith submit their proposed findings of fact on issue III B, Financial Qualifications. These findings are in the form of a proposed partial initial decision and should be deemed inserted in Applicants' proposed findings of September 14, 1979 at page 129, as finding 225.

Respectfully submitted,

PERKINS, COIE, STONE,
OLSEN & WILLIAMS

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IV. RADIOLOGICAL HEALTH AND SAFETY

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I. Financial Qualifications

225A. The proposed Skagit facility, Units 1 and 2, will have a net electrical output of 1,288 megawatts per unit. The estimated dates for commercial operation are late 1986 for Unit 1 and late 1988 for Unit 2. Olson, fol. Tr. 14,886, p. 1. Applicants estimate that the capital cost of the facility (including plant, transmission, and fuel) will be \$3,087 million. Id., Table 1-1. This estimate includes an allowance for escalation at seven percent per year, compounded through completion. However, it excludes any allowance for interest cost during construction (AFDC). With AFDC included, Applicants' estimate of the capital cost of the plant (excluding transmission and fuel) is \$3,826 million. Exh. 175, Exh. B, pp. 2, 3. This equals \$1,485 per kilowatt (KW), based on the anticipated net electrical output of 1288 megawatts per unit.

225B. As a check on the reasonableness of Applicants' cost estimate, the NRC Staff presented an estimate based on a current run of the costing model (CONCEPT) developed by the Department of Energy. The CONCEPT estimate was substantially

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lower than Applicants' estimate. Since Applicants' estimate is a detailed engineering cost analysis, the Staff determined that it would be reasonable to use Applicants' estimate for the financial qualifications analysis. Gittleman, fol. Tr. 14,625, p. 2. This is a conservative approach, particularly since studies have shown CONCEPT estimates to be reasonably accurate. Tr. 14,627-629, 14,687-689.

225C. SCANP witness Lazar thought Applicants' cost estimate too low, by a considerable margin. Lazar, fol. Tr. 14,711, pp. 1-13. His view was based on his interpretation of three studies compiled, respectively, by Mooz of Rand, by the General Accounting Office (GAO), and by the Washington Public Power Supply System (WPPSS). Lazar used the Mooz regression analysis (which here reduces to a straight line projection) to predict a construction schedule three years longer than estimated by Applicants. Id., p. 3; Tr. 14,716-721. At first, Lazar interpreted the Mooz regression analysis as predicting a capital cost of \$2,266 per KW. Id., p. 10. Later, he corrected this to \$6,163 per KW, to include inflation, although he decided to stick with the \$2,266 for his analysis. Tr. 14,698, 14,730-734; Exh. 222. Mooz, the author of the study, cautioned that his analysis should not be used for projection purposes. Tr. 14,721-722. The Board agrees with Mooz.

225D. The data presented by Lazar from the GAO study are ambiguous and do not, in our judgment, provide a sound basis for questioning the reasonableness of the 84-month construction duration (LWA to commercial operation) estimated by Applicants. Tr. 14,722-725. The WPPSS study projects a construction duration (first concrete to fuel load) of 125 months for units loading fuel in 1983 versus the Skagit schedule of 72 months. Lazar, fol. Tr. 14,711, p. 5; Tr. 14,725-728; Exh.

221. Even so, WPPSS itself is currently estimating a first concrete to fuel load period of 69 months for its Unit No. 3, scheduled to load fuel in 1984. Tr. 14,728-729. We conclude that the straight line extrapolation presented in the WPPSS study is not credible and that the WPPSS study does not provide a sound basis for questioning the reasonableness of Applicants' estimate of either the construction schedule or the capital cost of the Skagit facility. Tr. 14,735-737.

225E. Lazar also presented cost estimates by two nuclear architect-engineers, EBASCO and Stone and Webster. These estimates, taking into account the differences in completion dates, tend to confirm the reasonableness of Applicants' estimate. Lazar, fol. 14,711, pp. 9-10; Tr. 14,737-740. Weighing all of the evidence, the Board finds that it is reasonable to use Applicants' cost estimate in our evaluation of the financial qualifications of Applicants to construct the proposed facility.

225F. The ownership, cost of construction, and electrical output of the proposed facility will be shared by Applicants according to the following percentages:

Puget Sound Power & Light Company	40%
Portland General Electric Company	30%
Pacific Power & Light Company	20%
The Washington Water Power Company	10%

Exh. 175, pp. 12-13. Applicants are investor-owned, regulated utilities. Exhs. 175, 224, 225, 226, 227. They plan to finance their respective shares of the construction cost of the facility from internally generated funds, bank borrowings, and the sale of debt and equity securities. Olson, fol. 14,886, pp. 1-19 and attached Table 2, pp. 4-15. The detailed sources of funds for construction estimates presented by Applicants demonstrate that this will be possible within the applicable financial tests and constraints. Id.

225G. The NRC Staff conducted an analysis of Applicants' ability to obtain the funds necessary to cover the construction costs and related fuel cycle costs of the proposed facility. SER, Supp. No. 1, Exh. 214, pp. 20-1 to 20-21, Gittleman, fol. Tr. 14,625, pp. 1-6. The Staff found that Applicants' sources of funds estimates and underlying assumptions are reasonable, are in accordance with industry practice, and are consistent with estimated conditions. Accordingly, the

Staff concluded that Applicants are financially qualified to design and construct the proposed facility. Gittleman, fol. Tr. 14,625, pp. 5-6; Tr. 14,680-682.

225H. Intervenor SCANP, on the other hand, contends that Applicants are not financially qualified to construct (and operate) the proposed facility. SCANP PSAR Contention 3. (To the extent this contention relates to operation of the facility, it is not an admissible contention in this construction permit proceeding. 10 CFR 50.33(f).) Intervenor FOB/CFSP makes the same contention as SCANP. FOB/CFSP Contention 9. FOB/CFSP also contends that the NRC Staff has not completed its review of Applicants' financial ability. FOB/CFSP Contention 10. Now, of course, the Staff has completed its review. Gittleman, fol. Tr. 14,625.

225I. The Board has reviewed the testimony of SCANP witness Lazar in which he explained the reasons why, in his opinion, Applicants will be unable to finance the construction of the proposed facility. Lazar, fol. Tr. 14,711, pp. 14-28, Tr. 14,703-707. The reasons he stressed included his belief that nuclear-dependent utilities are less able to raise money than non-nuclear utilities, and his opinion that the Three Mile Island accident has made it doubtful that any utility will be able to finance a large nuclear project. Id., pp. 15-16. It was brought out on cross-examination, however, that the study

on which he relied was incomplete. Tr. 14,757-765. Further, the validity of the information he obtained from certain investment counselors (Tr. 14,745-752) is questionable, in view of testimony to the contrary by witnesses with actual experience in the field and first hand knowledge of current market conditions. Tr. 14,626-627, 14,631-635, 14,638-644, 14,677-678; 15,015-023. Thus, the Board was not persuaded by Lazar that Applicants will be unable to finance the proposed facility because it is a nuclear facility. We find Lazar's other reasons in support of the SCANP and FOB/CFSP contentions similarly unpersuasive. Tr. 14,742-878; 14,887-15,026.

225J. Considering the entire record, the Board finds that SCANP PSAR Contention 3 and FOB/CFSP Contention 9 are without merit. Additionally, we find that Applicants do have reasonable assurance of obtaining the funds necessary to cover the estimated construction costs and related fuel cycle costs of the proposed Skagit facility, Units 1 and 2.

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et al.)	
)	50-522
(Skagit Nuclear Power Project,)	50-523
Units 1 and 2))	
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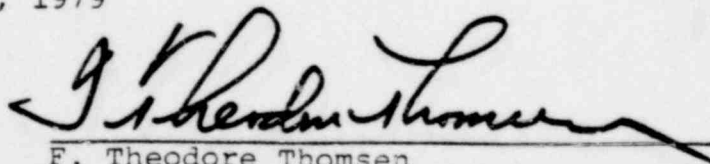
CERTIFICATE OF SERVICE

I hereby certify that the following:

APPLICANTS' PROPOSED
FINDINGS OF FACT RE FINANCIAL QUALIFICATIONS

in the above-captioned proceeding have been served upon the persons shown on the attached list by depositing copies thereof in the United States mail on October 8, 1979 with proper postage affixed for first class mail.

DATED: October 8, 1979



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